

Israeli Forces to Complete Lebanon Pullout by June 1

JERUSALEM — Israel announced Sunday that it would complete the withdrawal of its troops from Lebanon by June 1, but it reserved the right to send its forces back across the border if it was attacked or felt endangered.

At an eight-hour meeting, the cabinet voted 17-3 with one abstention, to advance the pullout, which had been expected by September, apparently because of Shiite Muslim guerrilla attacks and public pressure at home.

The new date is a few days short of the third anniversary of the Israeli invasion of Lebanon on June 6, 1982.

Israel's armed forces radio said that the cabinet had also agreed to set up a security zone in southern Lebanon after the withdrawal but gave no details of its size.

Senior military sources said Friday that Israel would be prepared to, in effect, give up the security zone it plans to establish in southern Lebanon for an informal agreement with Lebanon's Shiite Muslim militia to keep the area quiet, The New York Times reported.

"We would be prepared to trade the security zone for a deal with the Shites," said a senior military source directly involved in policymaking on Lebanon. "We would like them to know that we mean business. Though we know that Amal could not, even if it wanted, fully guarantee security in the area, we believe they could do so to a large degree."

The official's remarks, Israeli military analysts said, appeared to reflect a change in Israeli military thinking in recent months.

A communiqué Sunday said the Israeli government approved a proposal by Defense Minister Yitzhak Rabin to implement the third and last stage of the military withdrawal.

"Implementation of this stage will be terminated by the beginning of June," the communiqué said. Energy Minister Moshe Shaleh confirmed that this meant June 1.

Mr. Rabin warned Shiite Muslim and Palestinian guerrillas not to attack northern Israel.

"The army reserves for itself the right to defend against land or sea attacks from anywhere in Lebanon," he said. "If any factor 30, 40 or 50 kilometers from our borders endangers Israel, we will operate against it." The distance is 18 to 30 miles.

Mr. Rabin said he had refused for security reasons to recommend that the cabinet set a specific date for the pullout.

Prime Minister Shimon Peres had faced differences within the nine-party government over the size of the anti-guerrilla security zone.

Mr. Rabin was known to favor a six- to nine-mile-deep buffer zone patrolled by the Israeli-backed South Lebanon Army militia and local Druze and Shiite militias.

But hard-line cabinet members, such as former Defense Minister Ariel Sharon and Foreign Minister Yitzhak Shamir, said that the distance was not enough to provide security for northern Israel.

Israel sent its army into Lebanon with the avowed aim of driving Palestinian guerrillas away from its border. The Israelis control about 20 percent of Lebanon.

Military sources said the Israeli Army was about to complete the second stage of the withdrawal by leaving the Bekaa Valley in eastern Lebanon, where Israeli troops face the Syrian Army, and from the port city of Tyre.

The Israeli military radio said the troops had completed dismantling or blowing up installations in the east.

More Fighting in Lebanon

Fresh fighting broke out around the southern Lebanese port city of Sidon, in Beirut and in the nearby Chuf mountains Sunday, United Press International reported from Sidon.

Twenty people were reported killed Friday night in fighting in and around Sidon. Fifty people were reported wounded in the artillery and machine-gun exchanges Friday night and Saturday.

Druze and Lebanese Army gunners shelled several villages in the Chuf mountains overlooking Beirut on Sunday, while soldiers and Druze militiamen clashed with tanks, anti-aircraft and heavy machine guns on the front lines, military sources said.

The Christian Voice of Lebanon radio said that at least one civilian was wounded in the Chuf.

Christian and Muslim militiamen in Beirut traded heavy machine-gun fire Sunday on the Green Line dividing the capital, police said.

U.S. Interprets ABM Treaty as Allowing Tests Of Space Arms

By Bill Keller  
New York Times Service

WASHINGTON — The Defense Department has issued a broad interpretation of the 1972 treaty on anti-ballistic missiles that would clear the way for extensive testing of space weapons designed under the Strategic Defense Initiative research program.

The Pentagon, in a statement issued last week, said that the United States would "reserve the right" to disregard provisions of the treaty in reprisal for purported Soviet violations, raising the possibility that experiments would proceed even if they did not comply with the treaty.

The statement, contained in a report to Congress, was the most explicit indication to date of how the administration might respond to what it has described as clear-cut Soviet violations of treaty limits on anti-missile defenses.

A senior administration official said Saturday that the language on treaty violations had been sent to Congress over objections from some State Department officials, who felt it might give the impression that the United States did not take its treaties seriously.

Critics of the anti-missile defense program, popularly known as "star wars," have said that experiments planned in the next five years would violate treaty limits on the field testing and engineering of weapons designed to shoot down ballistic missiles.

But the Defense Department statement said that many of the developing technologies could be tested in space and on land because they fell into "gray areas" not limited by the treaty.

The report listed 15 "major experiments" that the Pentagon said it believed could be conducted without violating the treaty, including tracking of objects on earth and in space and test firings in space of two varieties of weapons designed to intercept high-speed projectiles.

Administration officials have consistently argued that the Strategic Defense Initiative research program would be carried out in compliance with the 1972 treaty.

They have said that the first decade or so of the program would consist of research to determine whether a defense against ballistic missiles is possible, and that they would seek amendments to the treaty before actually deploying an anti-missile shield.

The administration has accused the Soviet Union of violating the 1972 treaty by beginning construction of a large radar in Krasnoyarsk, in central Siberia, and has asserted that other Soviet developments in anti-missile technology may also be violations.

The Pentagon statement last week said:

"We do reserve the right to respond to these violations in appropriate ways, some of which may eventually bear on the treaty constraints as they apply to the United States."

"The United States government must guard against permitting a double standard of compliance, under which the Soviet government would expect to get away with various violations of arms agreements while the U.S. continues to abide with all provisions."

A senior administration official said that the administration believed it was "clear under international law" that if one party violated a treaty the other could respond by announcing its intent to abrogate other portions.

The official said that he did not expect such a situation to arise "in the next year or two" but that it might occur by 1988, when the Krasnoyarsk radar, known as the phased-array radar, is scheduled to be completed.

John E. Pike, associate director of the Federation of American Scientists and a critic of the Strategic Defense Initiative program, said Saturday that the new language was contrary to administration's declared policy of halting "erosion" of the treaty on anti-ballistic missiles.

"Now we're saying that we intend to help contribute to the erosion," Mr. Pike said. "Rather than getting the Russians back on the reservation, we intend to get off the reservation with them."

Mr. Pike said that he believed the language was intended to give the administration an excuse for proceeding with experiments that it could not otherwise justify under the treaty.

He said that several of the 15 experiments listed in the new Pentagon report appeared likely to run up against treaty restrictions. Mr. Pike cited two planned experiments that would test weapons based in space and designed to shoot down incoming enemy projectiles.

The Pentagon document said that these tests would comply with the treaty because they would be designed to shoot down anti-satellite weapons, which are easier targets than anti-ballistic missiles, known as ABMs.

"To ensure compliance with the ABM treaty, the performance of the demonstration hardware will be limited to the satellite defense mission," the report said.

It added that the test "will also permit a decision to be made" on whether the weapons can be used against ballistic missiles.

Mr. Pike said such a test probably would comply with the treaty but would be "a waste of money" because the air force already knows how to shoot down anti-satellite weapons.

Kohl Condemns 'the Nazi Tyranny' At Concentration Camp Memorial

By James M. Markham  
New York Times Service

BELSEN, West Germany — At a ceremony marking the 40th anniversary of the liberation of the Bergen-Belsen concentration camp on Sunday, Chancellor Helmut Kohl squarely accepted Germany's "historical responsibility for the crimes of the Nazi tyranny."

"This responsibility is reflected not least in never-ending shame," declared the chancellor, standing beside a massive stone obelisk on the site of the Nazi camp where more than 50,000 people died. "We shall not let anything in this context be falsified or made light of."

Mr. Kohl gave his speech — one of the most forthright and unflinching that a West German leader has made about the Hitler era — surrounded by senior political figures, ambassadors, local people and camp survivors, who made pilgrimages from Israel, the United States and other countries.

After its capture by British troops on April 15, 1945, the Bergen-Belsen camp, located on the north German flatlands, was burned because a typhus epidemic among its 58,000 surviving prisoners made it a health hazard.

The memorial to the camp is a vast open park punctuated by raised mounds containing mass graves. A gray stone wall bears engraved epitaphs to the Jews, Gypsies, Poles, Russians, French and others who died from torture, starvation and disease under the administration of the Nazi SS.

The address by Mr. Kohl, who was invited last year to speak at the camp by the leaders of West Germany's 28,000-member Jewish community, was awaited with considerable interest because of the outcry in the United States over his invitation to President Ronald Reagan to lay a wreath at a German military cemetery in Bitburg that contains SS graves.

Mr. Kohl did not allude to the controversy, nor did he or other speakers mention Mr. Reagan's eleventh-hour plans to include the camp site on his German itinerary next month in an attempt to placate criticism of his Bitburg stop.

However, in an unscheduled addition to the program, Robert E. Tynes, the U.S. consul in Hamburg, read a message from Mr. Reagan that extended his "personal best wishes to the survivors and families of the prisoners of the Lager, to the Central Council of the Jewish People in Germany and to the Federal German government."

"The Holocaust is a part of the consciousness of responsible human beings everywhere, no matter what age," the Reagan message said.

Speaking softly, Chancellor Kohl declared: "We in the free part of Germany realize what it means, following Auschwitz and Treblinka, to have been taken back into the free Western community. Those nations did so not least with the justified expectation that we will not disown the crimes perpetrated in the name of Germany against the nations of Europe."

Mr. Kohl noted that "the terror of the totalitarian regime was directed against the Jews in particular," and announced that his government intended to establish a new institution called the Archive for the Study of Jewish History in Germany.

The chancellor also recalled that 50,000 Russian prisoners of war died in the Bergen area and that less than half of the six million Soviet soldiers captured by the Germans survived their harsh captivity which he said "amounted to no less than torture."

"Reconciliation with the survivors and descendants of the victims is only possible," he declared, "if we accept our history as it really was, if we Germans acknowledge our shame and our historical responsibility, and if we perceive the need to act against any efforts at undermining human freedom and dignity."

Camp Survivor Appeals To Reagan on Bitburg

New York Times Service

WASHINGTON — Elie Wiesel, an author and death camp survivor, implored President Ronald Reagan to cancel a visit to a German cemetery where Nazi soldiers are buried.

Asked about Mr. Reagan's response to Mr. Wiesel's speech, the White House deputy press secretary, Larry Speakes, said, "The president was obviously moved."

Mr. Wiesel appeared at the White House to receive the Congressional Gold Medal of Achievement, the highest honor that the government gives to civilians. It was awarded to him by Congress for humanitarian efforts and contributions to human rights and literature.

Even when Mr. Wiesel, 56, entered the Roosevelt Room after a 26-minute private meeting with Mr. Reagan, it was unclear what he would say and how Mr. Reagan would react. Mr. Wiesel told friends that although he had

would not change his plans to visit the cemetery with the West German chancellor, Helmut Kohl, who requested the visit.

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The Nonaligned at 30: Trying to Avoid 'Isms'

By Barbara Crosscutte  
New York Times Service

BANDUNG, Indonesia — Thirty years ago, when the post-World War II age of revolution and decolonization was young, this pleasant mountain town in Java was host to a conference that captured the world's imagination.

The leaders of 29 Asian and African nations gathered in this city, famous for its role in Indonesia's own struggle for independence, to fashion a philosophy and plan of action for developing nations seeking to avoid joining sides in the Cold War between Washington and Moscow.

The final communiqué of that Asia-Africa Conference, issued in Bandung on April 24, 1955, would six years later form the basis for the Nonaligned Movement.

Now, as Bandung gets ready to mark the 30th anniversary of that conference with a meeting of delegations from more than 60 countries, Indonesia is asking the developing world to take a fresh look at itself.

China, the star attraction in 1955, will be back to reaffirm its place in that world and to call for a new era of international relations.

As the movement of nations advocating nonalignment expanded

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Reagan Warns Against 'Shameful Surrender' in Nicaragua

By Sara Fritz  
Los Angeles Times Service

WASHINGTON — President Ronald Reagan, in a last-minute attempt to salvage his request for \$14 million in aid to Nicaraguan rebels, has accused his Democratic opponents in Congress of advocating a "shameful surrender" to the Sandinist government in Nicaragua.

Facing almost certain defeat when the House and Senate vote on the aid package Tuesday, President Reagan declared Saturday in his weekly radio speech that Democrats who wanted to give aid to Nicaraguan refugees instead of to the rebels were encouraging the development of a Soviet-backed terrorist stronghold in Nicaragua that would soon pose a threat to U.S. security.

Mr. Reagan said terrorist supporters of Colonel Moamar Qadafi, the Libyan leader, and of Ayatollah Ruhollah Khomeini of Iran were already in Nicaragua, "two hours by air from United States borders."

He also reiterated a report that administration officials had leaked earlier last week that Soviet military advisers had been stationed in the combat zone in northern Nicaragua.

A White House official said later Saturday that the Soviet officers were few in number and had been

sighted near Cotal, where a Sandinist military garrison is situated.

President Reagan picked up few, if any, votes Thursday when he offered to compromise by pledging that none of the aid to the rebels would be used for weapons during the fiscal year ending Sept. 31. Senate Republicans disavowed the compromise also would have allowed the Central Intelligence Agency to spend other funds to arm the rebels.

President Reagan's speech Saturday was an unequivocal rejection of an alternative aid proposal set forth Friday by a bipartisan group of six House members. The alternative rules out any direct aid to the rebels, known as contras.

"Any proposal that abandons over 15,000 members of a democratic resistance to Communists is not a compromise, it's a shameful surrender," President Reagan said. "If Congress ever approves such a proposal, it would hasten the consolidation of Nicaragua as a Communist-terrorist arsenal. And it would give the green light to Soviet-sponsored aggression throughout the American mainland, ultimately threatening our own security."

Cease-Fire Offer Is Reported

The Boston Globe reported Sunday that President Daniel Ortega Saavedra had said Nicaragua would agree to an immediate cease-

fire if the United States ended all support for the rebels. The Associated Press reported in Boston.

President Ortega gave that message to Senators John F. Kerry, a Massachusetts Democrat, and Thomas R. Harkin, a Democrat of Iowa, during talks in Managua, Senator Kerry told the newspaper.

Mr. Ortega also said he would immediately restore civil liberties in Nicaragua and end press censorship if the United States agreed to resume bilateral negotiations and end its support for the rebels, the senators said.

He also reiterated his country's commitment to Central America as a zone free of nuclear weapons and foreign military bases, including those of the Soviet Union and Cuba.

Senators Kerry and Harkin called President Ortega's statement his first offer of a cease-fire.

They said the document said, "If the United States, as affirmed by the Reagan administration and the Congress, would discontinue direct or indirect, covert or overt support for the contras and immediately reconvene bilateral talks between Nicaragua and the United States," then Nicaragua would immediately enter into a mutual cease-fire.

The offer did not appear to result from Congress's rejection Tuesday of rebel aid, because that vote dealt only with this fiscal year.

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## WORLD BRIEFS

## 15 Killed, 90 Hurt in India Protests

NEW DELHI (AP) — More than 90 persons were wounded over the weekend during demonstrations in the western state of Gujarat and the northernmost state of Kashmir, and 15 were killed Friday in the eastern state of Bihar, the United News of India news agency reported.

In Kashmir, more than 25 persons, including five policemen, were injured Sunday in the capital of Srinagar. More than 60 were injured Saturday during a clash with demonstrators protesting the death of a Moslem youth killed when a bus rammed into a shop.

Six persons were injured Sunday in the town of Baroda in Gujarat when troops shot into a crowd protesting a proposed increase in job quotas for lower castes.

The 15 persons killed were mostly impoverished tribesmen, armed with bows and arrows, who are seeking more fishing rights in the village of Gangchi. The news agency, quoting official sources, said police were attacked by agitators seeking, among other things, the right to fish in a government pond. Landlords and upper castes in the village oppose them.

## Spain Moves Closer to Abortion Law

MADRID (NYT) — A measure to permit abortion in some cases has moved closer to legislative approval after Spain's political parties agreed to vote for it.

Leaders of all the parties represented in the lower house of the Cortes, or parliament, agreed on Friday to amend an existing law — which has never taken effect — along lines recommended by the country's top court, the Constitutional Tribunal. Gregorio Peces-Barba, the president of the lower house, predicted that the law would be approved and in effect by the end of June.

The court on April 11 declared the law unconstitutional but suggested in the complete text of its ruling, issued Wednesday, that the law needed only to be tightened to meet constitutional guarantees of a right to life for both the mother and the child. The law would permit abortions only in cases of rape, a malformed fetus or a threat to the mother's life or health.

## Hanoi Allows One-Time U.S. Visit

HANOI (Reuters) — Vietnam will allow a team of U.S. experts to visit a B-52 crash site in June to examine the feasibility of recovering the remains of missing Americans, the foreign minister, Nguyen Co Thach, said Sunday.

He emphasized that the visit to Gia Lam, 25 miles (40 kilometers) east of Hanoi, was only for a preliminary survey. He appeared to rule out further visits unless the United States normalized its relations with Vietnam, calling this a special case "to whet their appetite."

## New British Royal Tie to Nazis Cited

LONDON (AP) — A brother-in-law of Prince Philip, Queen Elizabeth II's husband, was a high-ranking officer in the Nazi SS, London newspapers said Sunday.

In new reports of links between the elite Nazi unit and members of the royal family, The Sunday Times and The Mail on Sunday identified the officer as Prince Christoph of Hesse, who married Prince Philip's sister Sophie in 1930. Buckingham Palace refused to comment on the reports. Prince Christoph, a brigadier general, was killed in an air crash in 1943 and "was a close aide of Heinrich Himmler, head of the SS and the Gestapo," The Sunday Times said.

The reports followed Monday's disclosure by the Daily Mirror that the wife of the queen's first cousin, Prince Michael, is the daughter of the late Baron Gunter von Reibnitz, an SS officer who joined the Nazi party before Adolf Hitler achieved power in 1933.

## Head of U.S. Security Agency Named

WASHINGTON (WP) — President Ronald Reagan will nominate Lieutenant General William E. Odom, army intelligence chief and a former assistant army attaché in Moscow, to become director of the National Security Agency, the Pentagon has announced.

If confirmed by the Senate, General Odom would succeed an air force lieutenant general, Lincoln D. Fauer. He resigned April 1 after a dispute with Defense Secretary Caspar W. Weinberger over cuts the administration made in the agency's fiscal 1986 budget, according to officials in the Pentagon and the intelligence community.

The agency, the most technologically oriented of the government's intelligence agencies, monitors developments around the world using planes, ships and satellites.

## U.S., Bahamas Report Big Drug Raid

MIAMI (NYT) — U.S. and Bahamian officials have spread a dragnet throughout 30 Bahamian islands and along 150 miles (243 kilometers) of the Florida coast in the past two weeks, seizing 5,500 pounds (2,504 kilograms) of cocaine and 33,872 pounds of marijuana with an estimated street value of \$100 million.

They also made 58 arrests in connection with drug smuggling, although officials declined to provide any details at a news conference Friday. They said they also arrested nearly 600 Haitians on their way to the United States to seek refuge.

In all, 775 people and 26 agencies of both governments were involved, along with more than 85 law enforcement vessels, more than 30 aircraft and a half-dozen radar facilities, officials said. The operation was described as the largest of its kind aimed at narcotics smuggling in the area.

## For the Record

China has announced the appointment of Han Xu, a veteran diplomat, as its next ambassador to the United States. The change had been expected.

A prominent Afghan rebel leader, Maulvi Shafiqullah, has been killed by pro-government forces, his Pakistan-based party announced. He had commanded the guerrillas from a mountain base near Kabul. (Reuters)

Ferdinand E. Marcos said Sunday that he would seek a fourth term as president of the Philippines and predicted that he would trounce the opposition in the 1987 election by 2-1. (AFP)

## Catholics, Jews Hail Improved Relationship

By E.J. Dionne Jr.

New York Times Service

ROME — A group of Roman Catholic and Jewish religious leaders has celebrated the 20th anniversary of a declaration by the Second Vatican Council that revolutionized the relationship between Catholics and Jews.

Pope John Paul II told the group Friday that the Holocaust, which so cruelly decimated the Jewish people, "was the result of an absence of faith in God," and said Catholics and Jews should join together to help restore religious faith.

The Vatican Council declaration, "Nostra Aetate," or "In Our Time," in October 1965 rejected the once widely held Christian view that the Jewish people were responsible for the death of Christ.

The pope urged Jews and Christians to help restore "a sense of God" to a secular world. Referring to "the catastrophe which so cruelly decimated the Jewish people," the pope said: "It is precisely an absence of faith in God and, as a consequence, of love and respect for our fellow men and women, which can easily bring about such disasters."

Rabbi Ronald B. Sobel, senior rabbi at Temple Emanuel-EI in New York, expressed the "particular gratification" of the Jewish people that the pope had referred in his annual Easter message to the "unparalleled inhumanity of Nazi brutality against the Jewish people."

"Together," Mr. Sobel said, "we share the conviction that bigotry and prejudice, born of hatred and nurtured in the failure to respect each other's commitments, can no longer be tolerated, not now, not anywhere, not at any time."

Last week's conference was organized by an array of groups, including the Anti-Defamation League of B'nai B'rith, in cooperation with the Vatican's Commission for Religious Relations with Judaism.

Most speakers sought to avoid controversial topics. "We meet to talk and to build," said Nathan Perlmutter, national director of the Anti-Defamation League.

But Tullia Zevi, president of the Union of Italian Jewish Communities, sharply criticized the pope in a session on Thursday for meeting on April 10 with a delegation of far-right members of the European Parliament.

The delegation included Jean-Marie Le Pen, the leader of the National Front in France, whom Mrs. Zevi called "that notorious French xenophobe and anti-Semite."

Mrs. Zevi said Europe was facing "a growing wave of revanchism and racism and attempts to negate the Holocaust."

She said she wondered whether Pope John XXIII, who called the Second Vatican Council, would have chosen such a time "to meet 16 European parliamentarians of the extreme right."

The Vatican's spokesman denied a statement by Mr. Le Pen that the pope had offered the group encouragement in their fight against abortion and against moral "decay" in Europe.

One Vatican official said privately that the pope had not intended to express any support for Mr. Le Pen's movement or the other far-right groups. Several Vatican officials said the pope was not fully aware in advance that the meeting was to take place.

## After Hoxha's Death, Albanians in Yugoslavia Watch and Wait

By Michael T. Kaufman

New York Times Service

PRISTINA, Yugoslavia — As Enver Hoxha, Albania's Stalinist leader, was buried last week in Tirana, the Albanians who form a large majority in the Yugoslav province of Kosovo neither mourned publicly nor vented any of their clearly mounting nationalistic feelings.

Some in the towns that can receive Tirana television watched as the Albanian leader's closed coffin was carried behind a jeep in a ceremony patterned after Stalin's funeral. Some listened to the orations on Tirana radio, which usually intersperses some sophisticated cultural programming with music, including a song called "Forty Years of Building Socialism in the Countryside."

But despite assertions from émigré groups in the West, there were no student demonstrations in this fast-rising city, where bank buildings tower over old minarets and cast shadows over an Oriental market. No new graffiti appeared in this Kosovo province city, 150 miles (240 kilometers) south of Belgrade, to extol Mr. Hoxha, who was 76 when he died on April 11.

And there were no cries of "Kosova Republic," cries that have sent several hundred young people to prison, creating legions of contemporary martyrs in this society of families linked in clans.

But beneath the appearance of calm, there was evidence of deep concern. No one in authority wanted to speak to a visitor about the situation, at least not without guarantees of anonymity.

A Communist League meeting here on the day of the funeral took up the issue of Yugoslav territory that was once Albanian. And both here and in Belgrade, there is little doubt that the Kosovo problem, as it is called, is second only to the sagging economy as a national concern.

"To tell you the truth, I was surprised that things were so quiet," said Miso Kikovic, a reporter for a Belgrade newspaper who is based in Pristina.

He said that his expectations of some protest, however mild, were heightened because Mr. Hoxha's death a scant 100 miles away coincided roughly with the fourth anniversary of student riots, in which local Albanians say more than 200 people were shot to death by police. The government says only nine people were killed in the disorders, which began when university students protested over cafeteria food.

Whatever the death toll, the disorders impressed on all Yugoslavians that the growing consciousness of the ethnic Albanians, coupled with often vague political stirrings, was posing severe problems for this federation of precariously balanced national groups.

In all six republics, the largely inchoate yearnings

for a new Albanian nation straddling an international border prompted revivals of the gravest Balkan nightmare, fragmentation.

The echoes of that fear were evident in the party meeting in Pristina on the day of the funeral. As reported in the local press, speaker after speaker, Albanians and Serbs, discussed the problem of territory that was formerly Albanian. Some of the delegates to the meeting chastised local officials for failing to stem hay-burnings and gravestone topplings, which they said have accelerated the panicky flight of Serbs and Montenegrins from the region.

Although different views were expressed at the meeting, the consensus endorsed the party line, which calls for a tough stance against expressions of nationalism. The party line also appeals for generous spending in Kosovo in a revenue-sharing program under which the wealthier republics invest in the province, Yugoslavia's poorest region.

The underlying assumption appears to be that money and new constructions will enhance economic integration with the rest of Yugoslavia, and that the nationalism may then subside.

This city itself stands as testimony to these policies. A huge newspaper office, towering banks and a large hotel stand in what was little more than a village a decade ago. In the center is the university, which, with

its 26,000 students, is the third largest in Yugoslavia.

One professor said that most of the students were children of peasants, who were often illiterate. Most study Albanian literature, language and history, he said. The local economy cannot absorb them, he added, and the large numbers of educated, nationalistic and unemployed youth would be a combustible mixture even if there were no nation across the border that could play on these frustrations.

None of the young people encountered in Pristina for the coffee houses appeared to have any sympathy for the government of Mr. Hoxha or for his successor, Ramiz Alia.

"We know there is no freedom there," a young man said, "that the churches and mosques have been shut and that perhaps 60,000 people have been killed. But we also know that the people there are our brothers. Like us, they are Albanians."

Cultural issues tend to dominate over economic

excitations. "You have to understand," said Idris Ajeti, the director of Kosovo's Institute of Albanian Studies, "the Albanians are a very old people with roots to the ancient Illyrians. But in modern terms, they are a very young nation. Only since the Second World War are we experiencing the rebirth that other European nations went through in the 19th century."

## Anti-Stalin Views of Gorbachev Reported

Reuters

VIENNA — A Czechoslovak who describes himself as a college friend of Mikhail S. Gorbachev says the Soviet leader was a student critic of Stalinism.

Zdenek Mlynar, a former Czechoslovak Communist Party official now living in Vienna, said he was a friend of Mr. Gorbachev

in Moscow in the 1950s when they were law students.

"We were more than just colleagues, we were also good friends," Mr. Mlynar wrote in two articles published Saturday and Sunday in the Vienna daily newspaper Kurier.

He recalled how the young Mr. Gorbachev had rejected the Stalin-

ist teaching that those who deviated from the official party line were "enemies of the party" who must be liquidated.

Mr. Mlynar quoted Mr. Gorbachev as saying: "Lenin did not arrest Martov," a reference to one of his Menshevik opponents. "He allowed him to emigrate." Such views are no longer considered heretical

in the Soviet Union but were seldom heard in 1952, Mr. Mlynar said.

"It was even more unusual to express such thoughts to a foreigner," he added.

Mr. Mlynar says the former classmates at Moscow State University last met in 1967 in Stavropol, Mr. Gorbachev's hometown, three years after the fall of Khrushchev.

"He told me he did not regret Khrushchev's departure," Mr. Mlynar said. "He criticized his impetuous, subjectivist interference in the economy and the system."

Mr. Mlynar, a leading theoretician of Czechoslovakia's short-lived "Prague spring" reformist government in 1968, which was subsequently crushed by the Russians, said he expected big changes in the Soviet Union under Mr. Gorbachev.

"Gorbachev and his generation have had enough experience of unsuccessful attempts at reform," he said.

"The experience of the new generation in the Kremlin includes the recognition that the policy of repression and the postponement of unsolved problems can no longer succeed."

Mr. Mlynar said reform "has become an inner need of the Soviet Union itself."

## Bomb Damages Sicily Home

The Associated Press

PALERMO, Sicily — A bomb damaged the unoccupied vacation home of Dr. Elda Pucci, the first woman mayor of Palermo who resigned last year, police said Sunday. They said the blast Saturday night caused extensive damage and that no one had immediately claimed responsibility.



TRILATERAL MEETING — Marcelino Oreja, a former Spanish prime minister and the general secretary of the Council of Europe, speaking Sunday in Tokyo. He addressed the 16th meeting of the Trilateral Commission, a private group that discusses various international issues and may report back to government leaders.

## Nonaligned Movement at 30: Attempting to Avoid 'Isms'

(Continued from Page 1)

In the years after Bandung, it also drifted off course, its own members acknowledge. In 1979, at a conference in Havana, the rift culminated in an effort by Cuba to align the group with the Soviet bloc.

Adam Malik, a former Indonesian vice president and foreign minister who died last year, described the Havana nonaligned conference, the first held in the Western Hemisphere, as a "brawl" that jolted the movement's "silent majority" — countries like Singapore, Sri Lanka, Malaysia and Indonesia. Some soul-searching followed.

"The age of 'isms' is over," said Mochtar Kusumaatmadja, Indonesia's foreign minister, in his Jakarta office recently as he made final preparations for the commemorative conference.

Thirty years ago, Mr. Mochtar said, the preoccupation of the newly emergent nations was political freedom for those still under colonial rule. Now, he said, the emphasis will be on "economic emancipation," a struggle that he said had to be waged by the developing nations themselves. He called it a "sign of backwardness" that countries with decades of political independence should still be unable to tackle economic problems.

"All we ask from the industrialized world is to give us a fair chance," he said.

Mr. Mochtar's views reflect those of President Suharto, who since taking power in Indonesia in 1966 has been concentrating on economic development at home, while keeping the country's international profile low.

By contrast, Mr. Suharto's predecessor, President Sukarno, who called the first Asia-Africa conference, made international prestige a high priority and became entangled in costly international adventures from which his critics say Indonesia took years to recover. Diplomats in Jakarta see the great effort being put into this year's Bandung commemoration as a sign that the country may be preparing to resume a larger international role.

The conference roster 30 years ago was a list of remarkable and often controversial men: Gamal

Abdel Nasser of Egypt, Jawaharlal Nehru of India, Zhou Enlai of China, Pham Van Dong of North Vietnam, U Nu of Burma and Carlos P. Romulo of the Philippines, among others.

Archbishop Makarios of Cyprus came as an observer, as did members of pro-independence groups that would one day be governments. The youngest head of a delegation was Prince Norodom Sihanouk of Cambodia, then 32 years old.

This year, as in 1955, the Chinese delegation is attracting the most attention, though for different reasons.

At the first conference, the organizers — Indonesia, along with India, Pakistan, Burma and Ceylon, now Sri Lanka — quarreled over inviting the Chinese, who six years earlier had brought Communism to Beijing, Pakistan and Ceylon. Objected. But Indonesia did not and India argued in favor. Burma tipped the scale by threatening not to attend if China was not included.

The Chinese delegation, headed by Zhou, used the Bandung conference to forge ties with the developing nations and independence movements. The Chinese leader's speech drew the biggest crowds.

"The Bandung forum opened the doors and windows of the People's Republic of China to the outside world," H. Roelan Abdulgani, the Indonesian organizer of the conference, wrote in his account of the event.

Since then, Pakistan and China have drawn closer. India has fought a border war with the Chinese, and Indonesia, jarred by an attempted coup in 1965 that was thought to have Beijing's support, broke off all relations with China. The use of Chinese characters is banned in Indonesia, and when any Chinese writing appears in foreign publications, even in advertising, it is inked out.

The Indonesian invitation to China this year and the decision of China's foreign minister, Wu Xueqian, to attend the commemoration were major news events in Asia. Mr. Wu will be the first official Chinese visitor to Indonesia in 18 years.

## Spanish Party Expels Carrillo From Its Central Committee

(Continued from Page 1)

Communist Party from his exile in Paris until the death in 1975 of Francisco Franco.

Mr. Carrillo returned to Spain and was imprisoned, but he was later released and led the newly legalized party in making an historic break with Moscow in a 1978 national convention.

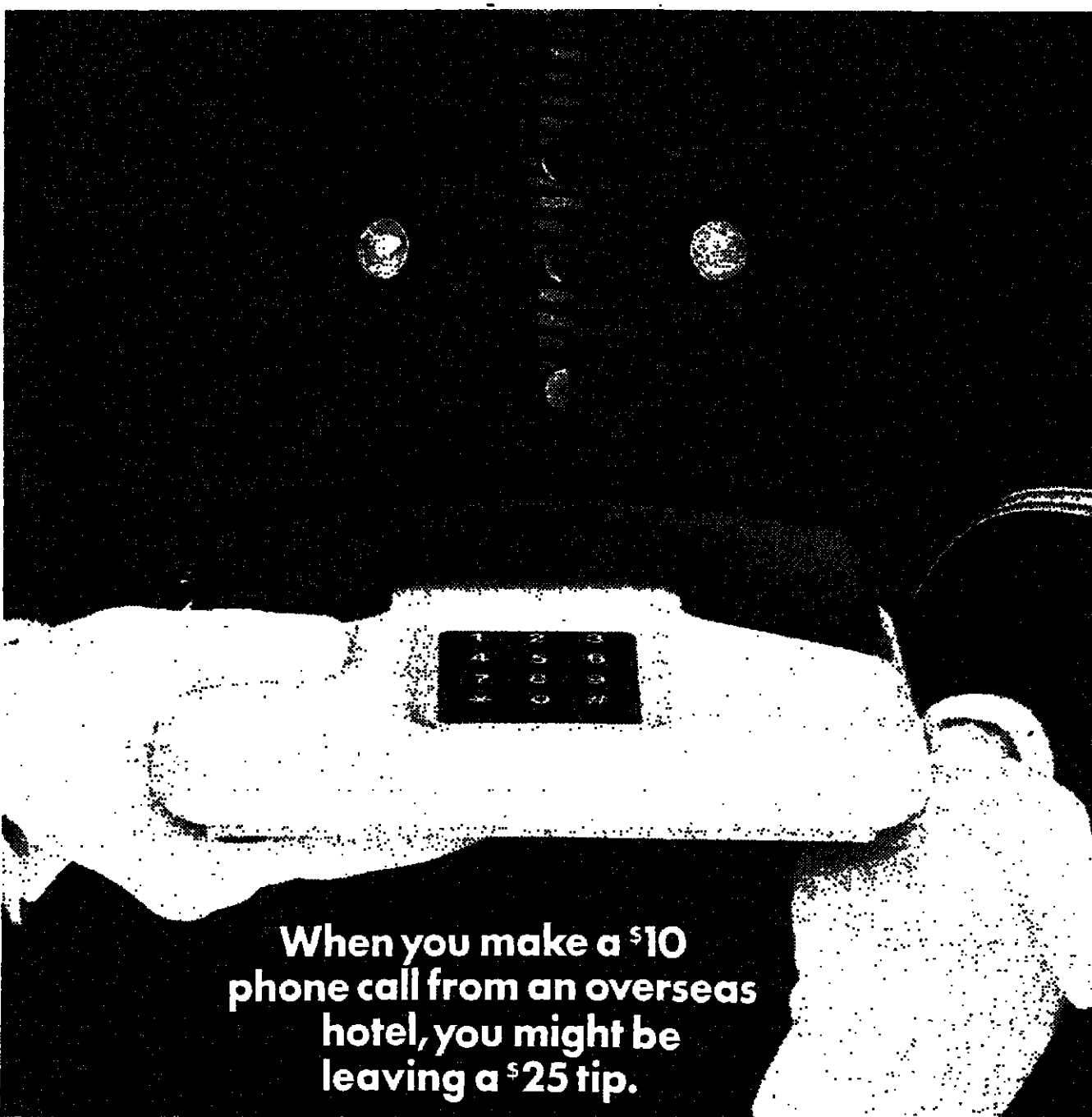
With Communist leaders in France and Italy, he started what has come to be known as Eurocommunism, a movement that accepts working by democratic rules and rejects the Soviet Union as a dictatorship.

Mr. Carrillo was forced to step down as secretary-general after the party suffered a crushing defeat in the 1982 elections, which the So-

cialists won. The Communists received less than 4 percent of the vote, down from 13 percent in municipal elections three years earlier.

It lost 19 seats in the lower house of the Spanish Parliament. Mr. Carrillo, who held one of the four remaining seats, was pushed aside last week by the party as its parliamentary leader.

Among the others expelled from the executive committee were Adolfo Finedo, secretary-general of the party in Madrid; Ignacio Latorre, secretary-general of the party in the Basque country; and Juan Villalba, secretary-general of the party in Valencia. They and Julio Perez de la Fuente, secretary-general of the party in Galicia, also were expelled from the central committee.



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## AMERICAN TOPICS

Homing Signal  
For Stolen Cars

A Massachusetts inventor has developed a transmitting device, about the size of a pocket transistor radio, that can be hidden in a car and will begin to emit an undetectable signal when activated by a police computer once the vehicle has been reported as stolen. A police car equipped with a tracking unit can pick up the signal two or three miles (about three to five kilometers) away and track it through countryside or city streets.

In 550 tests conducted by the Massachusetts State Police in the past four months they have found the hidden car every time. However, the device has yet to be used in a car that actually has been stolen by people who might try to find it and rip it out.

The inventor, William R. Reagan, hopes to market the device to car owners for about \$500 each and the tracking units to police departments for about \$2,300 apiece. When Mr. Reagan was asked his ultimate goal, Governor Michael S. Dukakis of Massachusetts, who attended a demonstration of the device, answered for him with a grin: "Eleven million cars a year coming out of Detroit equipped with this."

## Short Takes

Scientists think that the antibiotics increasingly used in livestock feed have led to a new strain of drug-resistant bacteria that may be the cause of the outbreak of salmonella in the Middle West, according to U.S. News & World Report magazine. The food-poisoning epidemic, one of the worst in U.S. history, has been traced to contaminated milk. More than 6,000 salmonella cases have been confirmed, and there have been four deaths.

"I thought I was dead," said John M. Smith, one of the passengers aboard an American Airlines Boeing 727 when one of its three engines fell off with a loud bang over New Mexico. "I thought, 'What a terrible last meal!'" Mr. Smith added. The plane landed safely.

In Washington last year, 3.8 million people visited the Lincoln Memorial; 2.3 million, the Vietnam Veterans Memorial; 1.8 million, the Jefferson Memorial; 1.3 million, the Washington Monument; and 1.1 million, the White House.

Sign on the door of the doctors' recreation room of the Cuy-



**MARRIED** — Cristina Ferrare, the model who was recently divorced from John J. De Lorean, the former automaker who was acquitted on cocaine dealing charges, was married Saturday to Anthony Thomopoulos, president of the ABC Broadcast Group.

genheim Pavilion at the Mount Sinai Medical Center in New York: "Staph Lounge."

## Notes About People

William J. Schroeder's wife has told Life magazine that if her husband — the second person to receive a permanent artificial heart — had known in advance the hardship the operation would cause his family, he might have turned it down. Margaret Schroeder said she had hoped the implant would enable her 53-year-old husband, who had been near death from congestive heart failure, "to get better and come home" to Jasper, Indiana. But after a stroke, a series of seizures and a plunging fever, she said, "I see it as more of a research experiment."

Mary Cunningham, 34, whose supposed romance with William Agee when they were both Bendix executives was the subject of a corporate world that she decided to resign, and who married Mr. Agee, 46, after both had left the company, is expecting a baby in September. The child will be the first for both of them.

Katharine Hepburn, 75, said in a rare television interview, "I drifted into acting. I think it's sort of an idiot's profession. I would've loved to have been a painter or a writer." And she reflected: "If they don't want you anymore, they dump you. I know goddam well that's true. I've been dumped and picked up again. I would've liked a more private profession."

Banned in Boston  
Triumphs Again

Once again, being "banned in Boston," where a self-appointed moral squad made the city the unofficial capital of U.S. censorship half a century ago, is spawning an obscure book toward the best-seller lists. The book, published by a small feminist and lesbian publishing company in Tallahassee, Florida, is called "Lesbian Nuns: Breaking Silence." In it are accounts of how 51 women, 42 of them former Roman Catholic nuns and nine still bound by their vows, came to grips with their lesbianism.

When the Reverend Peter Conley, spokesman for the Boston archdiocese, heard that the authors, Rosemary Curb and Nancy Manahan, were to be interviewed on a Boston television station, he wrote to the station and got the program canceled. The Boston Globe ran an article on the cancellation, news services picked up the report and the rest is history in the making.

Two national bookstore chains plan to distribute the book, the authors, both teachers, have appeared on network television and Warner Books has bought the mass-distribution paperback rights for a six-figure sum. A Warner spokesman said it will be sold in "supermarkets and drugstores and terminals all over the country."

"I'm a mouse giving birth to an elephant," said the publisher, Barbara Grier, 51. "If they wanted to kill the book, all they had to do was keep their mouths shut."

—Compiled by ARTHUR HIGBEE

## U.S. Army Officers, in Survey, Criticize Themselves

By Richard Halloran  
New York Times Service

WASHINGTON — The U.S. Army's officers, in a remarkably candid self-evaluation, have expressed severe criticism of themselves, the army and its senior leaders.

In a confidential army survey of its officer corps, made last fall and analyzed over the winter, half the officers who answered a long questionnaire agreed that "the bold, original, creative officer cannot survive in today's army."

A report compiled from the survey said that an even larger portion of the officers, 68 percent, agreed that "the officer corps is focused on personal gain rather than selflessness" — a virtue that military leaders cite as essential to good leadership.

In addition, nearly half the generals, who were questioned in a separate survey but whose answers were incorporated into the report, concluded that "senior army leaders behave too much like corporate executives and not enough like warriors."

And one-third of all the officers, including the generals, thought that "most officers are promoted before becoming competent at their existing grade levels," the report said. Despite these negative views, large majorities of the officers said that they were satisfied with their duty positions, that they intended to stay in the army for a career and that fellow officers exemplified the "warrior spirit" and the "army ethic."

Large majorities also said that "the army is more than a job" and that "individual needs are secondary to army needs." Although the officers had complaints about particular elements of the army's educational and training system, they generally gave it good marks.

The survey was ordered by the army chief of staff, General John A. Wickham Jr., who said in a letter to those being queried, "Because this study will shape the future development of our officer corps, we need your candid opinions."

The state of the officer corps has been a contentious issue within and outside the army since U.S. forces

withdrew from Vietnam more than 10 years ago. Military and civilian critics have asserted that officers emphasized management over leadership and corporate values over traditional military values.

The survey report was compiled from answers to two long questionnaires. The first was sent to all 436 serving officers in the four grades of general, of whom 333 replied; the second was sent to 23,000 randomly selected officers, from colonel down to lieutenant, of whom 14,046 replied. In those six grades are 92,000 officers. No estimate of the range of sampling error was provided in the report.

The results were tabulated into a report stamped "For Official Use Only" and "Close Hold," meaning that the information in the survey was not to be disseminated widely.

The Armed Forces Journal, a monthly magazine published in Washington and specializing in military matters, obtained a copy of the survey and has prepared an article for publication in its May issue. An advance copy of the arti-

cle and the report were made available to The New York Times.

Evidently anticipating renewed criticism, the army prepared a discussion paper to accompany the report.

"We place a tremendous burden on our senior army leaders," the paper said. "We charge them to perform as spokesmen, as spokesmen for their organizations, as

stewards of tremendous resources, as role models, as standard setters, as long-range planners and decision makers. In short, we demand they perform as though they were effective corporate executives."

"In time of peace, there is a blurring of the distinction between pure 'warrior' and 'pure corporate executive.' In both peace and across the spectrum of conflict, we expect our senior army leaders to be both."

## Protest March Is Held in Washington

Reuters

WASHINGTON — About 26,000 Americans paraded through Washington over the weekend to protest the U.S. nuclear arms buildup, South African racial policies and Reagan administration policies in Central America.

Simultaneous marches were held Saturday in Los Angeles and San Francisco.

Led by a black activist and former presidential candidate, the Reverend Jesse L. Jackson, the protesters marched past the White

House to the steps of the Capitol. In a fiery speech from the Capitol steps, Mr. Jackson said: "We are going to fight to free Johannesburg."

More than 80 groups took part in the "festival of protest," which is to continue for three more days so that demonstrators can lobby congressmen.

Organizers put the size of Saturday's crowd at 100,000. But police estimated it at 26,000. The crowd in San Francisco was estimated at 50,000 and in Los Angeles at 4,000.

## Ex-Argentine Leaders' Trial to Open Today

By Martin Andersen  
Washington Post Service

BUENOS AIRES — One of the most searing and soul-searching legal quests conducted by any society since the trials at Nuremberg after World War II is to unfold Monday as nine former top Argentine military leaders, accused of massive human rights violations, go on trial.

The nine, including three former Argentine presidents, made up the three military juntas that ruled from 1976 to mid-1982. During that time, at least 8,960 people disappeared during a military-led campaign against leftist guerrillas and other dissidents. The generals declared the campaign "war" in 1978.

Last September a commission appointed by President Raul Alfonsín found that the former military government had instituted a policy of "state terrorism" during the "dirty war" against the left.

The Argentine armed forces, it said, "responded with a terrorism infinitely worse than that it fought" because "it counted on the power and impunity of an absolute state, kidnapping, torturing and killing thousands."

The military has maintained that it was necessary to fight what it said was a threat from internationally directed Marxist guerrillas with "unconventional" methods, contending that the tactics used were like those of the United States in Vietnam and France in Algeria.

Five of the accused, including Jorge Videla and Roberto Viola, both former presidents and retired generals, are under arrest on charges of illegal detention, torture,

robbery, murder and making false statements. They could receive a maximum sentence of life in prison.

Lesser charges have been filed against four other junta members. Three of them, including former President Leopoldo Galtieri, also a retired general, are in prison awaiting trial for their role in Argentina's ill-fated 1982 invasion of the British-held Falkland Islands.

A federal prosecutor, Julio Strassera, said he would prove that the accused men either masterminded

the campaign of terror or did nothing to stop it as the top commanders of the military services.

Mr. Strassera said he would submit 709 cases of people abducted, killed, tortured, raped or robbed by Argentine security forces as evidence of what he said was "a copy of the Nazis' 'night and fog' doctrine, based on a detainee losing all contact with friends and family."

The prosecutor said he planned to call as many as 2,000 witnesses to testify in the trial, including victims, family members of missing

people, dissident military officers and several foreign dignitaries. Among those invited is Pat Dorian, the U.S. assistant secretary of state for human rights during the Carter administration.

Mr. Strassera said that, while he has little direct evidence that the military ordered the disappearances, torture and theft carried out during the anti-guerrilla campaign, the circumstantial evidence against the accused is overwhelming.

"We're going to run a freight train over them," he said.

The trial represents several firsts for Argentina, and it will be watched closely by neighboring countries that recently returned to civilian rule.

For the first time in Argentine history, a panel of civilian judges is to preside over a court-martial. The nine men facing trial belong to a class considered virtually immune since Argentina's first military coup put the armed forces in the center of the country's political arena in 1930.

Such fundamental changes have cheered the otherwise beleaguered officials of the 16-month-old Alfonsín government. Alarmed by a 1,000-percent annual inflation rate and the prospect of serious recession, growing numbers of Argentines are predicting that chaos will envelop the country soon or that the military will return to power.

The military and its rightist supporters have launched a vociferous campaign against the trials and against the commission that provided most of the evidence on the rights violations. They also say that the public trial is a "political circus." Moreover, some retired officers and civilian political leaders recently have questioned whether all the missing people cited by the commission are in fact dead or missing.

One retired general recently referred to the trials as a "Nuremberg in reverse," where those defeated on the battlefield now sit in judgment of a victorious army.

U.S. Emphasizes Efforts  
On Namibia Settlement

New York Times Service

WASHINGTON — In assailing a plan announced by South Africa to provide some self-government to South-West Africa, the State Department has brought attention to the U.S.-led efforts to negotiate an agreement leading to the independence of the territory, which is also known as Namibia, and the withdrawal of Cuban troops from Angola.

The United States is bound by United Nations provisions calling for internationally supervised elections in South-West Africa. And it moved quickly to make clear that, as far as the Reagan administration was concerned, any internal bodies set up by South Africa would have no international standing.

Chester A. Crocker, assistant secretary of state for African affairs, who has been the main intermediary between Angola and South Africa, said at a news conference Friday that the United States had offered a plan for "an overall package agreement" to both nations in mid-March, when the two sides seemed unable to get beyond the ideas each submitted last year.

Mr. Crocker said that Angola pledged in November that when the UN resolution was put into effect, the Cuban troops would be reduced from 30,000 to 20,000 over three years, and the remaining 10,000 would be moved to northern Angola, far from the border with South-West Africa. The remaining Cubans would leave, Angola said, but it did not say when.

The South Africans, in turn, called for the withdrawal of all the Cubans within three months of letting the resolution go into effect. Mr. Crocker declined to give details about the American compromise plan, but other officials said it tried to reduce the difference in time between the South African and Angolan proposals on the Cuban withdrawal and to set a definite timetable for the pullout of the Cubans.

He said the United States had not received a reaction from either Angola or South Africa. South Africa announced last week that it was pulling its last troops out of Angola, thereby carrying out its part of an accord reached with Angola last year.

President P. W. Botha said Thursday that because of the delays in reaching an international agreement, his government was creating an internal executive and legislative administration for South-West Africa that could draft a possible constitution.

Mr. Botha said, however, that South Africa still would seek an international accord.

His plan excluded the South-

West Africa People's Organization, the guerrilla group fighting the South African military. The United Nations has said that SWAPO must play a role in any political settlement for the former German colony.

## Mother, Infant Killed

Richard Bernstein of The New York Times reported from Cape Town, South Africa:

A colored woman and her 3-year-old son were burned to death on Saturday and her two other children seriously hurt in a mob attack near Port Elizabeth, a police spokesman said.

The woman, whose name was not disclosed, was doused with gasoline and set on fire by several youths in the black township of Bontrug in the eastern Cape region.

Police said the black youths went to the woman's home looking for a man. When she refused to give information on his whereabouts, police said, the youths sprayed her with gasoline and then lit her.

The woman ran back into her house, setting it on fire, police said. The house fire killed the boy and seriously burned a 7-year-old son and a 6-year-old daughter.

Blast at Store in Dublin  
Is Linked to Apartheid

Reuters

DUBLIN — A bomb exploded in Dunne's, a Dublin department store, in a protest by Irish republican guerrillas over the store's links with South Africa. Police said the incendiary bomb was small and caused little damage.

The Irish National Liberation Army said in a statement that the bomb was planted because of what it termed Dunne's support for apartheid. The store has been picked for nine months by 12 workers dismissed for refusing to handle South African goods.

U.S. School Vigilantes  
Investigated for Felonies

New York Times Service

FORT WORTH, Texas — A police investigation of a high school vigilante group that called itself the Legion of Doom indicates that it may have been responsible for 35 felonies, including arson and pipe bombings.

The group was made up of some of the school's top athletes and scholars who said they intended to "clean up the school, to get rid of people who were doing bad things," according to Doug Clarke, public information officer for the Fort Worth Police Department. "They claimed they were threatening thieves and dopers."

Two students and a former student of Paschal High School, rated by local educators as the city's best, have been arrested for questioning but not charged. Six other students who said they were part of the group have made voluntary statements about its activities.

The group, believed to have nine or 10 members, is suspected of "multiple pipe bombings, firebombings, possessing unlawful weapons, and a number of instances of criminal threats and cruelty to animals," Mr. Clarke said.

Mr. Clarke said there were reports that pets had been slaughtered and their blood smeared on automobiles as a warning to their owners. He said students and others received warnings marked with swastikas. Mr. Clarke said the investigation would be brought to a grand jury for indictments in May.

Police and school officials are unable to explain the violence except to say that it appeared to be the work of self-appointed vigilantes.

There have been suggestions that the group's vigilante tactics grew out of excessive zeal by some members of a group, the Ambassadors, appointed by the principal of Paschal High School, Radford Gregg, to help maintain order. The Ambassadors have been disbanded because of the controversy over the Legion of Doom. Four of the students identified as members of the Legion of Doom were also members of the Ambassadors.

The incidents began last September and culminated in a series of events in late March, when an automobile was bombed, the windows of another were shot out and a rifle was fired at a student's home.

The origin of the name Legion of Doom is obscure, Mr. Clarke said. It has sometimes been used to refer to a squad of the Paschal football team.

Among the incidents the police

are investigating is the explosion of a homemade pipe bomb under an automobile on March 24. The bomb caused extensive damage to the car.

Bob Whitehead, father of the Paschal student whose home was hit by a rifle bullet, said that was one of several incidents. But he said that "the violence was strictly personal."

He said the terrorism began because his son had dated a girl who later started seeing another student. That student had been identified as a member of the Legion of Doom.

According to police, the violence did not seem to reflect a racial pattern. A firebomb was thrown into the yard of a black student, but many apparent targets were not members of minority groups.

Nicaraguan Plane Crash  
In Greenland Kills 2

Agence France-Presse

NUUK, Greenland — Two men, a Jordanian and a Filipino, were killed Sunday when an aircraft belonging to Aeronica, Nicaragua's airline, crashed near the U.S. military station at Søndre Strømfjord, police said here.

The plane, a Fokker-27 with five employees of the airline aboard, was on a flight from the Middle East to the United States when it developed engine problems and attempted an emergency landing on ice 48 miles (77 kilometers) east of the military station.

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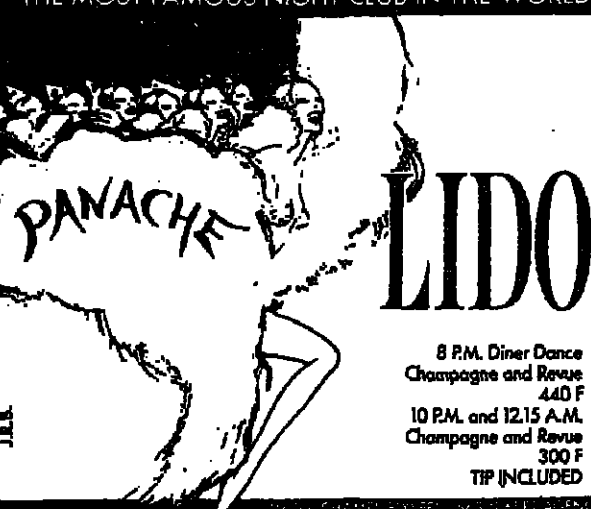
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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## An Honest Nicaragua Policy

President Ronald Reagan's plan for Nicaragua is in trouble. He has had to bow to Congress on aid to the "Contras," or rebels. His plan amounted to warning the Sandinists to negotiate to American satisfaction in 60 days or to face a full new American commitment to support the Contras. And there is reason to believe that what Mr. Reagan was asking was not simply that the Sandinists respect their neighbors, but also that they accept an internal process leading to their fall from power. The Nicaraguans are unlikely to have accepted that. So Mr. Reagan's policy pointed to a harder military collision. Congress was right to resist it and force a postponement on aid.

But what does Congress intend to put in the Reagan policy's place? It is right to be careful about a drift toward deeper proxy intervention and perhaps direct U.S. intervention. But it is also important to be careful about a right-sounding but essentially deceptive drift toward "diplomacy." Congress, having wisely undertaken to limit the Reagan policy, may be moving unwisely toward something that is a policy in name only. Diplomacy has got to have teeth. A policy made up of enticements—for example promising more trade if negotiations advance, and without prospective sanctions, or making no provision to restrict trade if negotiations fail—is not a serious policy.

The first need is to keep the Sandinists from subverting neighboring countries or endangering broad U.S. security interests. At the same time, the Sandinists can reasonably ask that their neighbors not facilitate intervention by the Contras. It is the purpose of the Contadora group to arrange such an exchange of obligations. It has had some success, but must work harder on key enforcement provisions.

But so long as the Sandinists and many of

their friends and enemies have the idea that the true Reagan purpose is to overthrow the Sandinists, the regional diplomacy is going to drag, and the Sandinists are going to regard any call for internal talks as a maneuver serving that larger Reagan purpose. So it is essential to create conditions that will draw the Sandinists into a political process that will have some positive results. A cease-fire would help, but two other steps are also necessary.

The president should be willing to demonstrate over time that he can live with a Sandinist government that is — let us be realistic — moving toward openness. Congress should be willing to demonstrate that it will make the Sandinists pay a price for not moving toward openness. Again, to imagine that the Marxists in Managua will head toward social democracy if only the wicked Contras are taken off their back is simply fooling oneself.

President Reagan and Congress have been engaged in a tense confrontation over the terms on which certain funds may be provided for the next five months. On both sides they were thinking too small. The deal that remains to be defined and struck entails a curtailment of presidential ambitions and an assertion of congressional responsibilities.

Mr. Reagan needs to back away from military intervention just now and agree to live with the Sandinists on fair terms. Congress should support or make possible the sanctions — cuts of trade and investment, diplomatic boycotts and other political sanctions — that would give the Sandinists a strong incentive to abide by fair terms. These at least are the fundamentals of an above-board, realistic and honest policy. They hold better promise than anything currently on the board.

—THE WASHINGTON POST.

## The False Choice of Bitburg

It is finally clear how President Ronald Reagan came to his Bitburg blunder and why his defense of it grows more repugnant by the day. His perception of the planned tribute to West Germany's war dead begins and ends with a false dichotomy, expressed last week by one of Chancellor Helmut Kohl's closest aides.

"What are we?" the aide asked. "Are we primarily friends and allies, or are we primarily the children and grandchildren of the Nazis? At some point one has to decide."

"Why? Why must I decide," the president should have replied when Mr. Kohl posed the same choice last fall, no doubt more subtly.

Why are today's West Germans good friends and allies? Because some of them, and most of their fathers and some of their grandfathers, having brought the world to ruin 40 years ago, then accepted America's tutelage and generosity and made much of them. What is most admirable about the new Germany is the moral distance it has traveled from the old. To ignore the old is to ignore what is so remarkable about the new country.

But Mr. Reagan fell for the false bait. As one of his closest aides recalls him saying while planning the trip: "I don't think we ought to focus on the past, but focus on the future."

So the president decided not to visit a Nazi concentration camp, a decision changed only when the uproar arose over Bitburg. But even now, the president insists on Bitburg *et alia* because the chancellor is said to want it and because the president regards most of the men

buried there as also victims of the Nazi regime. Yes, many German soldiers were misled, or simply drafted, into supporting Hitler's war of conquest. But they died as combatants in battle, not as innocents, infants and elderly, in gas chambers. There can be tragedy in the death of soldiers, but who cannot distinguish between that and the systematic slaughter of millions?

Hitler himself made a further distinction that Mr. Reagan would now ignore by laying a wreath where some SS troops also lie. The soldiers who had to kill or be killed, Hitler dressed in green. But the SS who designed and ran his death camps, he dressed in black, and with the tefte insignia of crossesbones. That some of these criminals lie at Bitburg is not just an awkward circumstance. It makes a tribute at their graves indecent.

When Mr. Reagan, pressed for explanations, ran out of reasons, he endowed this cemetery ceremony with strategic portent. There is no way to shift the wreath-laying out of Bitburg now, he argued, because "all it would do is leave looking as if I caved in in the face of some unfavorable attention."

Where friends and allies are concerned, you see, presidents cannot retreat because adversaries are always taking their measure.

Good allies in Germany would relieve a president of this shameful sense of duty. But whatever they do, the president is prying strength in an ugly cause. Sometimes stubbornness is not strength, only perversity.

—THE NEW YORK TIMES.

## Other Opinion

### The Dangers of Newspeak

Leading guardians of the English language, the publishers of the Oxford Dictionary, got a taste of Soviet propaganda this week after Russian guardians of the state twisted a half-dozen definitions in their version of the dictionary to suit their purposes.

Predictably, a heavy dose of state-sanctioned optimism was cranked into the meaning of many heavyweight concepts, ranging from capitalism through socialism to communism. Instead of communism being defined as "a theory of society" in which all property is vested in the community, the Soviets altered the Oxford definition to "a theory revealing the historical necessity for the revolutionary replacement of capitalism by communism."

George Orwell documented the ease with which the language can be debased in "On Political Language," noting that it is "designed to make lies sound truthful and murder respectable." And John Locke observed that words "stand for nothing but the ideas in the mind of him who uses them."

But the most appropriate comment on this

latest attack on the English language ought to come from Joseph Conrad, who wrote, in "Under Western Eyes," that "words, as is well known, are the great forces of reality." In a nation where "dissent" is treason, where "psychiatric ward" can mean the gulag, where invasion of an independent country is termed comradely assistance to a government under foreign attack, you can say that again.

—The Baltimore Evening Sun.

### The Slowdown Has Begun

The official U.S. estimate that the real growth of this giant economy slowed to a 1.3 percent annual rate in the first quarter of 1985 may give an exaggerated picture of the rate of the U.S. slowdown. It is an important economic, financial and political event, all the same. It poses an economic challenge to America's trading partners, for they cannot now afford the luxury of a leisurely argument over the right response to a future slowdown. The political repercussions are likely to follow quickly: a louder protectionist clamor in Congress.

—The Financial Times (London).

## FROM OUR APRIL 22 PAGES, 75 AND 50 YEARS AGO

### 1910: Dogs Compete in Paris Show

PARIS — The annual tournament for police dogs organized by the Club National du Chien de Defense commences at the Buffalo Velodrome. This event has become of more than sporting interest, and its importance is recognized by the French Government, which is giving an official prize. In all a thousand francs will be given in prize money, and a numerous entry has been received. So many dogs have been offered, indeed, that only those with some noteworthy performance to their credit will be accepted. The tests include high and long jumping, attack, defense of the master and of the house, leading prisoners and hunting out hidden persons and things.

### 1935: Wartime Carrier Pigeon Dies

FORT MONMOUTH, New Jersey — Spike, a carrier pigeon that gave valiant service to the American Expeditionary Forces during the World War, died here at the loft of the Army Signal Corps. The death of Spike leaves only the battered, one-eyed Mocker, holder of the Distinguished Service Medal, of the company of pigeons which served the Army overseas. Spike was 17 years old, a year younger than Mocker. They lived together in the "war hero's coop." Spike a gray grizzle, Mocker red with white markings. With Cher Ami, carrier of the famous message of the Lost Battalion, they served with the 77th Division, and were brought back from France in April, 1919.

# Reagan Displays an Orwellian Approach to Nicaragua

By Anthony Lewis

BOSTON — Corruption of the language was central to George Orwell's terrifying vision in "1984." Words had come to mean their opposite. The language of the state was Newspeak. The official slogans were War Is Peace, Freedom Is Slavery, Ignorance Is Strength.

President Ronald Reagan on the subject of Nicaragua sounds more and more like something from the pages of Orwell. His disregard for facts has become hallucinatory. His rhetoric rings with hatred.

Anyone who disagrees with his Truth is an agent of the enemy.

Under the slogan of peace Mr. Reagan asked Congress to legitimize war. Before he bowed to Congress last week by agreeing to postpone the fight for military aid to the "Contras," or rebels fighting the Sandinist government, he was seeking legislation that would give him authority to support "military or paramilitary operations in Nicaragua." He was going to use the aid for arms after 60 days if the government of Nicaragua did not agree to the terms set by the rebels.

Even before last week's compromise move, Mr. Reagan said he wanted "humanitarian aid" for the rebels. But a top-secret administration memorandum to congressional appropriations committees says the real Reagan policy is to expand the rebel forces and increase their military pressure on Nicaragua. The memorandum also says that "direct application of U.S. military force" is ruled out now but "must realistically be recognized as an eventual option."

Faced with almost certain defeat in Congress on his request for aid for the rebels, Mr. Reagan was Thursday reported to be willing to accept a compromise in which such aid in the current fiscal year could only be used for "nonlethal" purposes. Details of the compromise remain sketchy and it is unclear whether a proposal on these lines could be worked out in time for Tuesday's House vote on Mr. Reagan's original request.

Mr. Reagan and his aides claimed support for his plan from Latin leaders, especially the Contadora nations. But reports from the region tell of alarm at the president's linking the idea of a cease-fire and peace talks to authority for renewed military support of the rebels. The reports also speak of a feeling among leaders that the Reagan administration manipulated them by concealing that link.

President Betisario Betancur of Colombia, a key player in the Contadora peace effort, at first spoke favorably of the Reagan plan. Last week he said Mr. Reagan had not told him it included aid to the rebels. That, he said, made it "no longer a peace proposal but a preparation for war."

A vote against his proposal, Mr. Reagan earlier warned Congress, would be "literally a vote against peace." It would be a vote against the Contadora countries, he added. He said Pope John Paul II had urged "us to continue our efforts in Central America." But an assistant said later

that the president had not meant to suggest papal endorsement of aid to the rebels in Nicaragua.

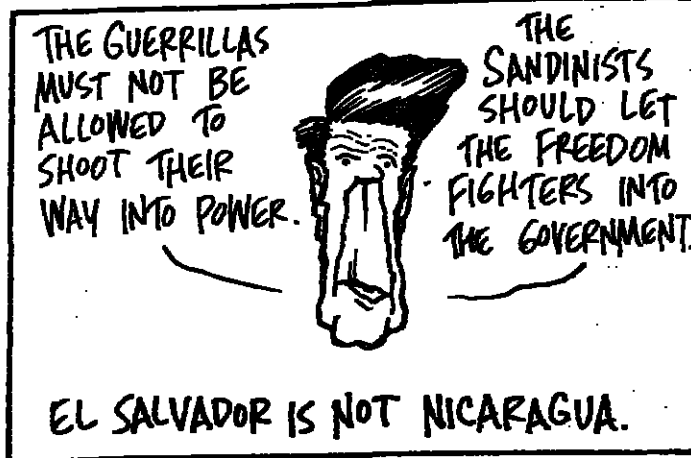
One of Orwell's striking images in "1984" was of the two-minute hate sessions in which citizens had to engage Mr. Reagan's comments on the Sandinists have taken on their tone.

"Somoza was bad," he said last week, but "the Sandinists are infinitely worse." There are no words adequate to convey the insult that statement does to history and to the victims of 40 years of Somoza pillage. The government is "a Communist dictatorship," he said. That of a country where opposition parties held a third of parliamentary seats. Where is this in the line for Union?

Disregard for history is nothing new in Mr. Reagan. What other president could have thought a visit to a German cemetery including graves of SS men would be balanced by visiting a former concentration camp?

There is a special edge, a virulence, to his comments on Nicaragua. It is as if he cannot bear the complicated, ragged reality of that country today, but must have a pure Communist enemy. The end of destroying that villainous enemy then justifies any means, any tactics to pressure and frighten Congress. And so we see the president of the United States charging that the honorable lawyers and human rights specialists who meticulously traced terrorist actions by the rebels were "bought and paid for by the Sandinists." It could have been said by Joseph McCarthy.

The New York Times.



## Managua: Congress Has Acted Unwisely

By George F. Will

WASHINGTON — This is the most important congressional moment since May, 1947, when Congress supported U.S. intervention through aid on the anti-Communist side in the Greek civil war. Congress thereby transformed containment from a theory into a policy.

Congress has now effectively killed aid for the anti-Communist side in Nicaragua's civil war. Congress has forbidden even modest financial support for the military effort of a mass movement prepared to do the dying to prevent consolidation of the second Soviet satellite in the hemisphere and the first on the North American continent. The evaporation of containment is complete.

What Mr. Reagan's aides are calling a compromise (aid restricted to nonmilitary uses) is a shattering defeat. He sought military support for a military movement and lost, utterly. On an issue he characterized — correctly — in the starkest moral and national-security terms, his characterization was disproportionate to his effort. He did not go to the country on television. A great communicator does not deal exclusively in good news, but also rallies majorities for hard decisions. Mr. Reagan has chosen to board his political capital — but for what remains unclear.

In 1947 President Truman told Congress: "I believe it must be the policy of the United States to support

free people who are resisting subjugation by armed minorities or by outside pressure." Mr. Reagan's policy was the Truman Doctrine after 38 years of Communist advance. An armed Nicaraguan minority, sustained by outside forces, is sovietizing Nicaragua as was being done in Eastern Europe in 1947.

The Soviet Union's Sandinist clients have no more right to rule Nicaragua than Vidkun Quisling had to rule Norway. Yet the world continues to speak of Sandinist steps toward Stalinism as "failings." The Sandinists are not somehow failing to implement democracy; those "failings" are premeditated successes.

Now that Congress has spurned the Contras, Communist dictators on four continents will know that Congress will not permit small incursions, let alone quarantine.

The sum involved is \$14 million, 12 percent of the \$117 million the U.S. government had given to the Sandinist regime by 1981. Familiar voices are saying the usual things: that the United States "drove" the Sandinists into Soviet clutches. But in their first two years, the Sandinists received more aid from the United States than from any other country — five times more than the Somoza regime received in its last two years.

During the Vietnam War, people eager to believe were encouraged by Hanoi to think that South Vietnam was experiencing an "indigenous peasant revolt" and that the ferment in Indochina was only cosmetically Communist. The Sandinists deny their U.S. protectors the comfort of that pretense. The Sandinists do not deny to disguise Stalinism at home, their "socialist solidarity" with the Soviet Union and their "revolution without borders" against neighbors.

In 1947 Congress had fresh memories of the terrible price paid because

of nonresistance to Hitler at the time of the remilitarization of the Rhineland. Today the historical memory of many members of Congress consists entirely of Vietnam and its putative lessons. But congressional management of U.S. policy toward Central America — too little aid, too late, pursuit of the chimera of negotiated settlement with a regime that does not believe in splitting differences is a recipe for another Vietnam: another protracted failure.

Surely the Americans who should talk least about negotiated liberalization of the Sandinist regime are those Americans who, by trying to destroy the rebels, are removing the only serious pressure on the Sandinists.

Today there are anti-Communist insurgencies in Afghanistan, Angola and Cambodia. Americans opposed to the Contras favor a declaration of indifference to the only force that might enable Nicaragua to join Portugal, Spain, Turkey, Argentina and Honduras on the list of democratic nations that have risen from tyranny.

Mikhail S. Gorbachev, the Soviet leader, threatened Pakistan with reprisals if it continues to facilitate aid for the Afghan resistance. Now that Congress has spurned the Contras, how long will Pakistan resist Soviet pressure? Now that Congress will not countenance support for the Contras, the increasingly tiny voice of the United States will have decreased resonance in South Africa, the Philippines and other places where freedom is the issue at stake.

It is said that optimism is someone who believes his future is uncertain. Optimism about democracy, and not just democracy in Central America, is irrational now that, six months after a landslide reaffirmation of a president, Congress, acting in the name of fastidiousness, has removed the keystone of that president's foreign policy: support for democratic revolutions.

Washington Post Writers Group.



## When History Forbids a Fair Hearing

By V.W. Hughes

LOS ANGELES — It was reported here last month that there is now a search for 1,800 Eastern Europeans and 200 Ukrainians who were members of Nazi SS units in World War II. Other reports spoke of the deportation case of an accused Yugoslavian war criminal, Andrija Arakovic, age 86.

It is 40 years now since the end of World War II, and the question should be raised whether it is wise and just to repeatedly open these old wounds of reported misdeeds.

There are overwhelming evidentiary problems in presenting a fair case against any of the accused after the long wait. But, perhaps a greater issue, though more nebulous, is wartime conduct.

There may be a fuzzy consensus on what constitutes unacceptable conduct. Nevertheless, the behavior of men, or nations, at war cannot be measured by peacetime standards. War is homicide on a massive scale, yet we go about it appealing to the finest qualities of duty and self-sacrifice and showering accolades on he who kills the most.

We must be careful not to be too self-righteous about those we killed compared with those killed by our opponents. We were sickened at the slaughter of the noncombatant innocents — children, women and old men — in concentration camps. But have we judged our own conduct by the same standards that we have applied to the enemy's?

Dresden in Germany was acknowledged to be a city without military value. The Allies' decision to fire-bomb it was a conscious effort to convince Germany that continuing the war would be futile. Certainly Franklin D. Roosevelt, Winston Churchill and the generals who organized the raid were aware that Dresden was crowded with refugees. Yet, in less than 18 hours, 1,300 American and British bombers incinerated Dresden. Because of the influx of refugees, an accurate casualty count was not available, but estimates run from 100,000 to

135,000 dead. How many tens of thousands of blameless children, women and old men died there?

The same rationale that was applied to Dresden was used to justify wiping out Hiroshima, Japan, in one blinding flash, then Nagasaki. Again there was no opportunity for the innocents to escape. Harry S. Truman and his generals knew this. We may justify these acts as due to the exigencies of the war, but it cannot be denied that they were

their graves for 40 years. Nor can we deny the zealots and sociopaths of the future with lessons of vengeance. What kind of justice is it that must be satisfied 40 years later for misdeeds that grew out of a war involving unprecedented numbers of homicides by both sides?

It seems reasonable to draw a line somewhere on the pursuit of past wrongs. Otherwise we may be condoning acts of today's terrorists who kill in the name of atrocities that were committed generations, even centuries, ago. Should modern Europe march on Rome for what Caesar did in 49 B.C.?

President Reagan exemplified the U.S. character when he said recently that V-E Day should be celebrated as the day when "peace began, instead of reawakening the passions of (that) time." Our strongest virtues have been freedom, opportunity, generosity, humor, concern for others, a spirit of forgiveness and hope for the future. With these upbeat characteristics we are not good at sustaining a hostile attitude for very long.

And 40 years is long enough. It is time to wipe the slate clean. The United States should not be a party to the self-defeating, vindictive spirit of running down every last accused after all these years.

We may even take a lesson from a former enemy. In the last weeks of the war the Allies sent 1,000 bombers every 24 hours over Berlin. Surely, no matter which side was right, those who lived through that terrible period could hold only animosity toward those who rained such destruction on them. After the war the ruins of the ravaged city were piled into huge mounds. Now those mounds are parks. Grass, trees and flowers grow, and children play there, and the bitter memories of the bombings are assuaged.

"A man that studieth revenge keeps his own wounds green, which otherwise would heal." (Bacon, Essays.)

The writer is a professor at Pasadena City College in Pasadena, California. He contributed this comment to the Los Angeles Times.

## Linking Third World Aid To Population Control

By Richard D. Lamm

DENVER — George Bernard Shaw observed, "All great truths begin as blasphemy." With this philosophy in mind, I put forth blasphemy: The United States should give no emergency relief to countries that are unwilling to adopt long-term economic reforms and programs to control population growth.

While it is enough to "mean well," we also must "do good." I question whether the United States, in spite of its best intentions, does good by merely giving temporary relief to Ethiopia and nations in similar circumstances. Sadly, neither America's grain bins nor its pocketbooks can keep up with the demographics of starvation, in Ethiopia or elsewhere.

There are 535 million people in Africa. If population-growth rates continue on course, the continent will add 338 million new mouths in 16 years. By the year 2020, there will be 1.2 billion people living on land that cannot adequately feed 535 million now. African farmers must feed about 20 million new mouths a year while U.S. farmers, with vastly more capital and fertile land, must feed only two million new Americans. Productive as we are, it would be impossible for the United States to feed not only its own new citizens but the Third World's new citizens, too.

Sooner or later, Third World countries must come to grips with their population pressures. Try to write a happy scenario for Bangladesh, a poverty-stricken country with 96 million people crowded into an area the size of Iowa. The average woman has 14 pregnancies; 60 percent of the women bear seven or more children.

Or try to write a happy scenario for Egypt, which will have 60 million people to feed by the year 2000 from an agricultural land base that shrinks 600,000 acres (240,000 hectares) a year. Try to paint an acceptable picture in the Third World generally where more than 40 percent of the population under age 16 lives in poverty and grows 2 to 4 percent a year.

While the sub-Saharan African population is projected to triple in

the next 40 years, populations elsewhere in the world will burgeon, too. By the year 2000, Europe's numbers will have expanded 4.5 percent, the U.S. population by 14.5 percent, Latin America's by 44.6 percent, Africa's by 65.9 percent. These rates are unsustainable, even if we envision aid to an international welfare load to the U.S. domestic welfare program.

Our desire to be helpful is appropriate and realistically directed. If America gives short-term aid without insisting that recipient nations take long-term action to limit population and reform their economies, we merely throw gasoline on a fire. It is true that cultural and language barriers may make it difficult to convince other nations that population control must be part of the solution, that economic development will make a difference in their lives. But if we do not attempt to initiate long-term solutions, we will only perpetuate the cycle of hunger. We will only be keeping the hungry alive long enough to produce equally hungry offspring.

The late Alan Gregg, a vice president of the Rockefeller Foundation, once said that overpopulation is a cancer and that he had never heard of a cancer that was cured by feeding it.

We must insist that long-term solutions are in place before helping with short-term solutions. We must use thinking hands and bleeding hearts.

In Ethiopia, the problem is more than a temporary shortage of food. Much of the land has been denuded. Vegetation now covers 4 percent.

The United States should insist on "reciprocal altruism" in Ethiopia and elsewhere. If population growth is not brought under control, if self-reliance through economic development is not encouraged, we will multiply empty stomachs. We will have "meant well" and intended to "do good." But we will have done harm. We will have delivered a sentence of misery to future generations.

The writer is a Democrat and governor of Colorado. He contributed this comment to The New York Times.

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### Private Arms Funding

Regarding the opinion column "Foreign Policy: Set Your Own, Just 53¢" (March 28):

Maybe Ellen Goodman's suggestion that U.S. citizens should privately fund military activities abroad is not such a bad one after all. How many would support the billions now going into the Middle East? Could Israel have invaded Lebanon without U.S. aid and tacit agreement to the adventure? Does the American taxpayer publicly really condone such activities? How many would send a

check to Washington to back placement of MX missiles in Europe, let alone send a soldier to Germany? If tried the economy would boom.

GEORGE W. HAMILTON.  
Vienna.

### Don't Forget Dublin

Regarding the feature "Europe, Reflected in Its Public Parks" (Weekend, April 12) by Paul Lewis:

The feature succeeded in omitting any mention of Dublin's Phoenix Park, immortalized by Joyce and the largest enclosed public park in Eu-

rope, while including Copenhagen's delightful Tivoli Gardens, which is not classed as a public park.

As one who visited the Tivoli last year and took 28 other councillors from London Boroughs on a conducted tour of the Phoenix Park, I must protest at what I suspect is an Anglo-centric dismissal of Dublin as a European capital city.

Mr. Lewis may not be aware of it, but Dublin is one of the oldest capitals of Europe and the Phoenix Park one of its great parks.

GERY LAWLESS.  
London.



## 51 Are Killed In Weeklong Tribal Riots In Karachi

KARACHI, Pakistan — Armed troops accompanied by garbage collectors have been scouring the narrow back streets of Karachi's Orangi area for victims in a week of rioting that already has claimed 51 lives and injured 250 persons.

Troops have found at least seven rotting corpses in open sewers. At least two of the bodies were decomposed beyond recognition, an ambulance driver said.

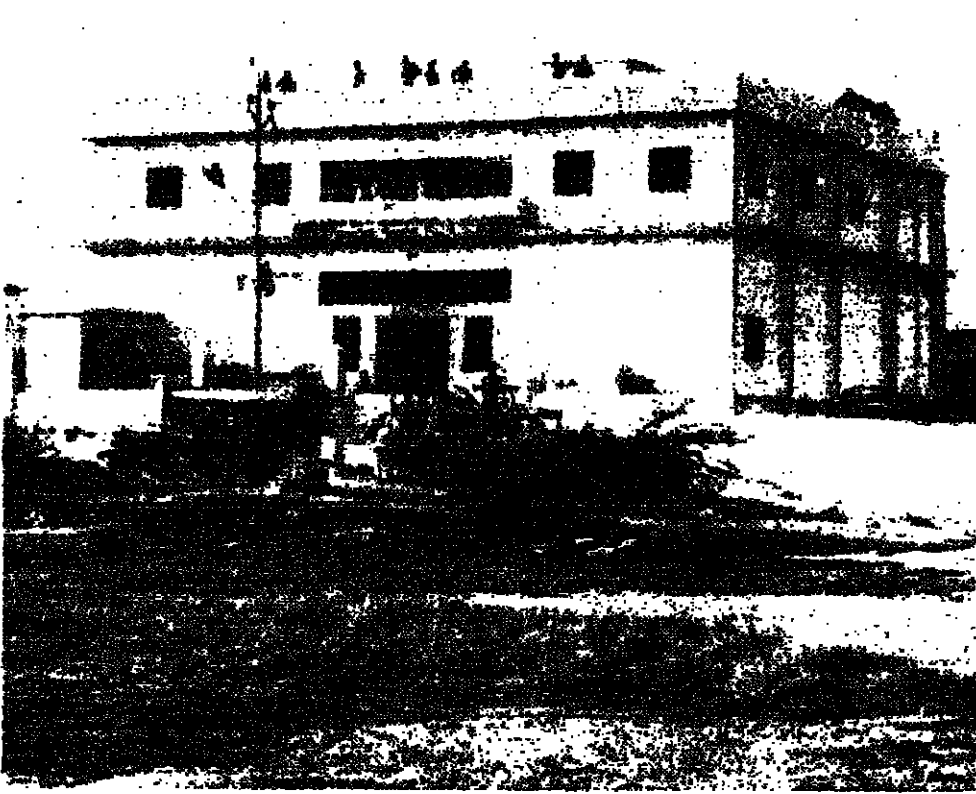
The unrest began last Monday as a protest against reckless driving after a female student was killed by a minibus. It turned into a demonstration against police and then erupted into clashes between residents and members of the Pathan tribe from northern Pakistan, many of whom drive buses in Karachi.

It was difficult to get precise casualty figures from residents. Two persons were stabbed to death on Saturday and at least six were injured as Pathans clashed with local residents, doctors at Abbasi Hospital said.

Doctors at hospitals outside Orangi, a west Karachi slum area of about 500,000 people, said at least 35 persons were killed and 50 were injured Thursday and two persons were stabbed to death during a short curfew break on Friday.

More than a dozen more were killed in other clashes in northern Karachi, which is now under control and under curfew.

Authorities refused to comment on rumors that officials had ordered on-the-spot burials to conceal the number of dead.



Pakistani soldiers guarding the police station in the Orangi area after a week of rioting.

Karachi's dense working-class district was sealed off from the rest of Pakistan's largest city by a tight troop cordon and a strict curfew.

Karachi newspapers carried only official statements after authorities pressured editors to ban the vivid accounts of rioting they had been publishing, editors said. The government also asked newspapers not to publish photographs of the disturbed areas.

It appeared that several thousand Biharis, the Urdu-speaking residents, and Pathan migrants from the border near Afghanistan, were fighting in the streets Thursday.

Orangi residents said that rival groups fought on Thursday with axes, iron bars, daggers, guns and crude bombs.

Witnesses said several Biharis, who came from what is now Bangladesh after opposing the creation of a new state there, made bombs by filling the hollowed leg bones of cows with explosives, nails and glass.

Several of the bombs were thrown into crowds of Pathan workers, the witnesses said, blasting bits of bone and metal into the bystanders and usually killing one or two each time.

One Pashtun set fire to a Bihar-owned towel factory only 100 meters (328 feet) from a police station bristling with troops and constables ordered to shoot looters and arsonists on sight.

As the rifles were trained on him, the arsonist surrendered. He said that his brother had been killed by Biharis.

More than 1,500 troops and 1,000 riot police patrolled the sprawling area.

## Ethiopia Is Said to Hide Cholera Epidemic

By Blaine Harden  
Washington Post Staff Writer

ADDIS ABABA, Ethiopia — A cholera epidemic has broken out in the Keren feeding center in the Ethiopian highlands, killing 20 people a day, the French administrator of the camp has said in the face of Ethiopian denials.

"Right now, I have 50 new cases a day and if I don't act very quickly in the next few days, I won't be able to avoid a disaster," said Dominique Leguillier, of the French voluntary relief organization, Doctors Without Borders.

His statement Friday, the day of a meeting where Ethiopian officials and aid donors from around the world, came after five months of rumors from relief officials that the highly infectious disease has broken out in several of Ethiopia's famine relief centers.

The Ethiopian government has refused to acknowledge the existence in Ethiopia of cholera, which causes severe diarrhea, vomiting and dehydration. The disease is simple to cure but is highly contagious and can cause a high rate of fatalities unless the patient is promptly treated.

Government officials maintain that the victims in the feeding camps are simply infected with "acute diarrhea."

While insisting on that distinction, the government asked donors Friday for an emergency airlift of "urgently needed medical relief" of the kind that are normally used to treat infectious gastrointestinal diseases such as cholera.

The World Health Organization in Geneva last week sent an infectious disease expert to Ethiopia to look at possible evidence of cholera.

[In Somalia, an outbreak of cholera in a UN camp for refugees from Ethiopia killed 1,600 people in three weeks, The Associated Press reported. A UN spokesman in Geneva said that the outbreak has tapered off.]

Five months of behind-the-scenes bickering over medical semantics was brought into the open at the donors' meeting when Mr. Leguillier addressed Dawit Wolde Giorgis, commissioner of the government's Relief and Rehabilitation Commission.

NEW DELHI — Union Carbide Corp.'s Indian subsidiary has not ruled out sabotage in December's poison gas disaster at its Bhopal pesticides plant that killed more than 2,000 people, the Press Trust of India reported Sunday.

The news agency quoted a written statement from Union Carbide India Ltd. to the official commission inquiring into the leak. The statement said that the disaster was probably caused by water seeping into an underground storage tank, but that it was not possible yet to say how the seepage occurred.

"It may have occurred either in spite of all the prescribed precautions or by unauthorized, deliberate or inadvertent act of someone," the statement said, adding that all safety precautions were taken to avoid accidents at the plant.

The Indian government is suing the Indian company's U.S. parent on behalf of victims of the disaster. The New York Times quoted an Indian official as saying Friday that the government had stopped negotiations for an out-of-court settlement on the ground that the company offered an unacceptable figure of \$200 million as compensation for the Bhopal accident.

"I have 20 deaths a day because of a disease that we cannot name," Mr. Leguillier said. "I am importing medicines and I have to lie about the name of the disease."

Mr. Leguillier said he had to lie about the name of the disease because he knew of no other way to speed medicine to Keren. He said that the Ethiopian government might expel him. Other relief officials have said they refuse to speak out because they fear expulsion.

"There are 20 people dying every day and the best thing I can do to help them is speak out," he said.

Without quick action, Mr. Leguillier said, the disease will increase by hundreds of cases daily among the 25,000 famine victims at Keren. Emergency quarantines are also needed at two feeding centers near Keren — Alamata and Koba — to head off an outbreak of cholera that threatens about 45,000 people there, Mr. Leguillier said.

He said that Koba had 40 new cases of the disease daily, according to a recent report, and that 1,000 cases have been reported at Alamata, with 100 deaths.

Mr. Leguillier said he decided to speak out about cholera because he knew of no other way to speed medicine to Keren. He said that the Ethiopian government might expel him. Other relief officials have said they refuse to speak out because they fear expulsion.

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## Army Cuts Suggest a New Push by Deng

By John F. Burns  
New York Times Staff Writer

BEIJING — The announcement that China is to cut its armed forces by one million men by the end of next year is a sign that allies of Deng Xiaoping have regained momentum after a period of political uncertainty, Western diplomats say.

The reduction in military personnel, amounting to nearly a quarter of the army's strength, is seen as one of the boldest steps in Mr. Deng's drive to modernize the country. The 80-year-old leader has long maintained that the vast military establishment must be pared to relieve the burden on the civilian economy.

The political sensitivities involved were suggested by the way in which the announcement was made. Hu Yaobang, a close associate of Mr. Deng who is general secretary of the Communist Party, revealed the cutback Friday in New Zealand, where he was on the second leg of a five-nation South Pacific tour.

There has been no report of Mr. Hu's remarks in the main party publications. But the accuracy of the reports from New Zealand appeared to be confirmed when the

English-language service of the Xinhuwa, the official Chinese press agency, carried an item from Wellington, the New Zealand capital, quoting Mr. Hu as saying that "China is to cut one million troops from the army this year and next."

To cut that deeply into the army strength of 4.2 million, diplomats say, Mr. Deng must have broad confidence in his political position. Doubts had been raised over the last three months by the corruption and bungling that enveloped the economic changes promoted by Mr. Deng. Prime Minister Zhao Ziyang has acknowledged that serious mistakes were made in carrying out the changes, and hard-liners in the party have questioned the advisability of allowing too free a rein to "bourgeois" influences, such as foreign investment and free enterprise.

Mr. Deng himself appeared to be on the defensive. But by pressing forward with radical manpower cuts in the armed forces, he and his associates appear to have given a clear signal of their primacy.

From its inception as a revolutionary force in 1927 until recently, the People's Liberation Army was regarded as a bulwark of the views associated with Mao Zedong.

Overcoming military resistance to change has been a major concern for Mr. Deng since gaining control of the party in 1978.

The army, which is a three-service force, with ground, air and naval wings, has already had to accept cutbacks. With the exception of 1979, when the brief border war with Vietnam swelled costs by about \$2 billion, there has been continual restraint on its budget.

Mr. Deng has cast aside Maoist precepts of "people's war," emphasizing vast manpower and guerrilla tactics, and has stressed modern techniques of conventional warfare, professionalization of the officer corps and more sophisticated weapons.

To achieve this, China has already made deep cuts in the officer corps. Overall manpower levels had been sharply cut before Mr. Hu's announcement of the new reductions.

Where the new cuts will be made has not been announced, but Western military attaches said they were almost certain to come in the heavily staffed support echelons, rather than in combat units.

Combined Chinese strength on the two frontiers is said to be about 1.2 million.

A Western diplomat said the cutbacks appeared to confirm the determination of the Chinese leaders to limit hostilities with Vietnam to the limited pattern of cross-border shelling and infantry skirmishes that has prevailed in the dry season now ending.

The diplomat said the move also underlined indications that Chinese leaders might be preparing for a mutual reduction of forces with the Soviet Union, an issue on which there has been no progress in negotiations so far.

But the most important consequence could be in domestic politics. For six years, Mr. Deng has been maneuvering to reduce the political influence gained by the forces under Mao.

If the personnel cuts lead to sharp reductions in the military garrisons in cities like Beijing and Shanghai, as seems likely, there could be a further upgrading in the army's political power and a parallel enhancement of civilian authority, a development that would broaden Mr. Deng's political leeway.

INTERNATIONAL CLASSIFIED			
(Continued From Back Page)			
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## BANKING AND FINANCE IN ITALY

A SPECIAL REPORT

Page 7

## Banking System Steps Up Plans To Back Deposits

By Barry Carne

ROME — Italy's banking system, despite a marked reluctance on the part of bankers, will soon be buttressed by a plan to guarantee the security of depositors' funds.

For a country where financial institutions continue to suffer from the effects of the Banco Ambrosiano collapse, the development is perhaps not surprising. But when taken along with a number of complementary trends, it signals another tentative step in the direction of dragging Italy's cumbersome, even archaic, banking structure into line with the standards and practices of most of the rest of the industrialized world.

"I wouldn't dare describe it as a wind of change," one financial analyst said, "but certainly there is a new breeze in the air."

The first attempt at a form of deposit insurance, in itself remarkable in view of Italy's recent record of bank failures, is an example of change. There are others, including the effort to create merchant-banking legislation, the rapid expansion of "near" or "para-banking" activities, the rapid growth of the new mutual funds, the refinement of a widening range of up-to-date client services and the first real effort to breathe life into the underutilized stock exchange.

Barring any last-minute setbacks, Italy's banking system should have its first official instrument for guaranteeing deposits in place within a few weeks. According to officials at the Banca d'Italia, the central bank, the plan is "in an advanced stage of preparation" and "will be finalized shortly."

Although the actual mechanics have yet to be fully disclosed, it will involve the creation of a special fund to be set up and administered as a separate entity by ABI, the Italian Banking Association. Membership, in theory, is voluntary; in practice, however, the competitive pressures on any bank that chooses to opt out, the very depriving clients of security for their deposits, are likely to mean the widest possible participation.

Ironically, it has been the banking community that has been in the forefront of resistance to the proposal.

Unlike most of the other industrialized economies, Italy does not possess any official mechanism for guaranteeing deposits. At the same time, no depositor in the postwar years has lost funds as a result of bank failures because the government, operating through the central bank, has fulfilled a moral obligation to protect deposits in a system that is 80-percent state-owned.

From the bankers' point of view, the disagreeable element in the new plan is that it is going to be the banks alone that will finance it. The central bank's main role will be reduced to that of simply offering technical data and advice, most probably through a representative who will sit on the executive committee of the ABI-managed fund.

"There is no doubt that we need some kind of deposit guarantee but I'm not convinced that it should be the banks that have to pay for the whole thing," said Bruno Brovedani, of Banca Nazionale del Lavoro, Italy's largest bank.

Whatever the drawbacks, the prime advantage of the proposal is the flexibility that it will introduce into a system so rigid that intervention in a banking crisis is not permitted until it is too late — when there is an outright insolvency. The Banco Ambrosiano affair is a case in point.

Flexibility is the key as well in the current effort to provide a legislative framework for merchant banking, a type of financial activity that is just beginning to make itself felt in Italy. The concept has taken hold since the governor of the Bank of Italy, Carlo Azeglio Ciampi, first proposed two years ago the development of merchant-banking activities to help medium-sized firms grow bigger and pave the way toward stock-exchange listing.

A number of the country's leading financial institutions engage in some form of merchant banking, providing promising small and medium-sized companies with financial services and taking a temporary stake in them with an ultimate view to launching them on the stock market. These practices are similar to those performed by the state-owned Mediobanca for large, established Italian concerns.

The business, however, is not likely to become firmly entrenched until the country's politicians act to remove the uncertainty over the future of Italian merchant banking. Several draft proposals to regulate the activity of merchant banks have been presented in parliament but, to date, there is no indication as to the precise form the legislation may take — or, more to the point, when it may finally be enacted.

Two particularly booming areas in merchant banking are in factoring and lease/purchasing. The overall turnover for factoring companies, the majority subsidiaries of the leading banks, reached \$5.26 billion last year, compared with \$3.68 billion for 1983. Lease/purchasing, according to data recently released by ABI, grew by more than 30 percent in 1984. The top 43



A close look at the board of the Milan Stock Exchange.



Bettino Craxi



A supermarket in Milan abounds with goods.

companies surveyed by ABI wrote a total of 70,870 contracts worth \$1.33 billion.

In the effort to compete, Italian banks continue to refine their client services, a move that took a giant step two years ago when the highly advanced Bancomat cash-dispenser system was introduced. Following this move, there are now plans for a national bank credit card based on the Eurocard, as well as for improving automatic bank transfers.

But the most spectacular development has been the introduction of mutual funds. Since the concept was approved last year, close to 20 funds have been launched and it is believed that up to 30 more are in the planning stages. The mutual funds have proved highly popular among small Italian investors, who have long ranked with the Japanese

as the world's leading savers. On average, Italians save from 20 to 22 percent of their after-tax income.

According to preliminary statistics compiled by the Bank of Italy, the new mutual funds were collecting 1.5 trillion lire (\$750 million) per month during the first three months of the current year.

If the trend continues, it could greatly facilitate parallel plans to invigorate the moribund Milan stock exchange, where 90 percent of the country's market is located. At present, there are only about 160 stocks listed on the exchange, with a total capitalization of \$21 billion, compared with the 1,685 stocks worth \$1.578 trillion listed in New York.

The main problem with Milan to date has been the lack of institutional investors, a gap that a flourishing mutual-fund activity would

fill. It was with this aim in mind that the Italian Senate recently sent a committee to New York to investigate the procedures used to regulate and supervise Wall Street.

Even the optimists, however, agree that Italy has some way to go before Milan becomes a truly active bourse. Long before that, something will have to be done about the huge public deficit, which is expected to reach 96 trillion lire this year, amounting to 15 percent of the gross domestic product.

Since 95 percent of the government's deficit is financed domestically, it is almost certain that once again this year almost two-thirds of Italy's gross domestic savings are going to be consumed by the state. This does not leave much for the Italian banking system, no matter how strenuous the effort to modernize.

## Economy Has a Relapse After a Healthy 1984

By Uli Schmetzer

ROME — It was a bitter winter in Italy. The severe cold damaged crop prospects, while labor and political strife hurt chances of further economic recovery. By spring, even optimists realized that after a fine performance last year, the economy was slipping back into its familiar bad habits.

Inflation has not dropped once this year below the 8.6-percent level of 1984, while price increases have averaged 1 percent a month, according to the Bank of Italy.

The huge budget deficit gallops on relentlessly in tandem with high interest rates. Labor is restless, irritated by government efforts to further weaken the *scala mobile*, the wage-indexation system devised as a cushion against inflation although often blamed for having the reverse effect.

Confindustria, the employers' association, wants concessions from trade unions on greater labor mobility and more ample wage differentials. And the Communist Party holds a time bomb with its successful call for a referendum on government limitations to the *scala mobile*. The result could be a period of labor unrest.

It was no surprise, then, that during their annual spring visit in March, officials of the International Monetary Fund diagnosed that the patient was deteriorating after undergoing a successful operation last year, when gross domestic product rose by 3 percent.

Their prescription: another front against inflation, labor costs not above the projected 7-percent inflation rate, a vigorous tax-collection campaign, cutbacks in ambitious health and pension programs and, only as a last resort, a further rise in interest rates.

But such remedies require bold and decisive government action. And with local elections coming up on May 12, the five-party coalition headed by the Socialist prime minister, Bettino Craxi, is fighting for survival with its hands tied, as each party blocks initiatives of the others, afraid to give away advantages at the polls.

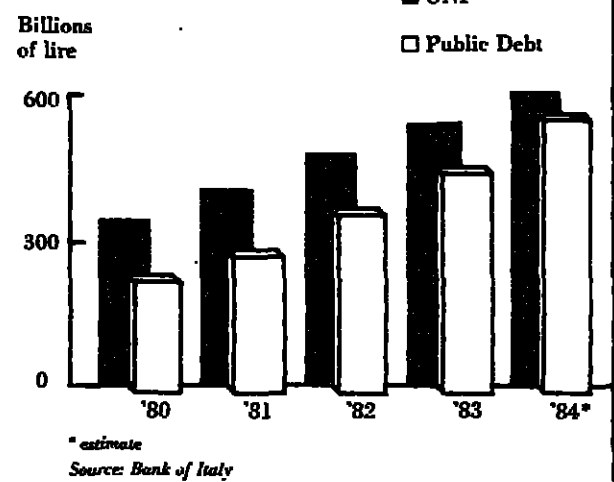
"I'm all in favor of democracy," said one of Italy's leading economists, Luigi Spaventa, "but I wish there were fewer elections."

Economists also wish the deficits would diminish. The balance of payment on current account is 5 trillion lire (\$2.5 billion) in deficit. Last year, the trade deficit reached a record 19 trillion lire.

On the other hand, the favorable dollar rate boosted exports to the United States by 69 percent, although exports to the European Community fell as the result of an appreciated lira (1.5 percent) against the currencies in the Euro-

## Growing Public Debt

In 1984, government indebtedness approached 92 percent of gross national product.



pean Monetary System. The increase in exports last year (up 5.8 percent in volume compared with 3.9 percent in 1983) helped service an external debt that doubled to over \$50 billion at the time of the 1980 oil crisis.

Still, in Italy, prospects always look worse on paper than in reality. The country simply refuses to be gauged by the norms applied to other nations.

If the Italian economy continues to enjoy remarkable foreign confidence and good credit rating on the Euromarkets, it is partly due to the belief that Italians will always find a way to *arrangiarsi*, or improvise a solution. The other reason for the confidence, more tangible, is the success of private industry and, to some extent, state-run enterprise.

Industry is buoyant on improved productivity, particularly in those sectors that had the courage to embark on new technology. The upswing was aided by a 4-percent increase in investments, almost all of it spent on new plant and machinery, cuts in labor costs and an aggressive marketing policy, which not only conquered new markets but also often turned losses into profits.

But pitted against the positive achievements of industry is the dead weight of the government's chronic budget deficit. It was contained at 93 trillion lire last year (15.3 percent of gross domestic product) but now is rolling into the 100-trillion lire region.

Interest payments for the debt

were 9.6 percent of GDP, double the average in the seven biggest industrial countries.

The gap between revenue and spending is plugged with public borrowing. Today, the state uses an estimated half of all personal savings to finance itself through treasury bonds. These are the most popular investments for Italians, at least while they remain convinced their government can honor them.

The state's appetite for money keeps interest rates high, which in turn makes money expensive for industry. The demand for more money by the state is prompted by the financial needs of an elephantine public sector. Although inefficient and overstuffed, it does ensure the political status quo. Tampering with its wages or numbers is not in party interests.

Rather than tackle this "privileged class," Mr. Craxi's administration, in its efforts to reduce inflation, went for the *scala mobile*, whose main beneficiaries are in the lower-income bracket and thus apt to vote for the Communists.

Still, the result seemed to justify the means: For the first time in 11 years, inflation dropped in 1984 below double figures to 8.6 percent, from 12.6 percent in 1983.

Today, however, economists think that the achievement was due more to a decline in the price of imported raw materials than to any tailoring of the wage escalator.

This assessment appears more plausible seen in the context of cur-

(Continued on Next Page)

## Private Television Growth Changes the Media Scene

By Sari Gilbert

ROME — The advent of private television in Italy during the last several years has radically changed the tastes, listening habits and evening activities of millions of Italians.

With dozens of private stations flanking RAI, the three-channel state network, in most major cities, viewers are being spoiled by a range of choices unknown in many other Western countries. And much to the detriment of the Italian movie industry, people are being enticed by a rich diet of films, variety shows and American serials into spending their evenings at home, in front of the TV set.

But if this "small-screen" revolution has turned Italians into avid stay-at-home followers of "Dallas" and "Dynasty," it has also had an unprecedented effect on Italian marketing economics. During the last four years, the Italian advertising market has exploded, with total investments in TV commercials soaring from \$166.3 million at the end of 1980 to \$891 million at the end of 1984.

Most of the increase has been due to the dynamism of four stations, which because of their de facto nationwide broadcasting range, have won the right to call themselves networks, although they still do not transmit live. These stations, through astute and imaginative programming, have become so popular that last year net advertising revenues generated by Canale 5, Italia Uno and Retequattro, all of which are now owned by Silvio Berlusconi, a Milan entrepreneur, reached over \$345 million, compared with the half-million dollars earned by Mr. Berlusconi's first local station, Tele Milano, in 1979.

Eurotv, the network owned by Callisto Tanzi, a Parma dairy producer and exporter, earned another \$70 million. All other local and private TV stations together brought in an additional \$80 million.

In contrast, RAI, which cannot exceed an advertising ceiling set yearly by parliament, earned \$720 million, about a third of its budget needs, with the rest provided by the \$350 million brought in by the viewer subscription fees charged to all Italian television owners.

The political strength of the private stations' new advertising empire was demonstrated last fall, when three magistrates in different parts of Italy ordered Mr. Berlusconi to stop broadcasting. They said the system of 80 relay transmitting stations that allowed his stations, in effect, to make nationwide broadcasts contravened a 1976 supreme court

ruling that only the state network had that right. The blackout galvanized the government, led by Prime Minister Bettino Craxi, who is believed to be a fan of Mr. Berlusconi's, into action: a six-month emergency decree legalizing the new stations was rapidly produced.

Statistics make it clear that in the four years that they have been operating at full steam, the private networks have carved out an impressive niche. According to Enrico Vergani, director of marketing for the Berlusconi group, on an average evening the three stations now capture close to 50 percent of Italy's 27 million prime-time viewers.

Understandably, the current situation has de-

**The situation has delighted advertising agencies and advertisers . . . Less happy are those Italians who for ideological reasons oppose the consumerist slant of much advertising, as well as movie producers and newspaper publishers.**

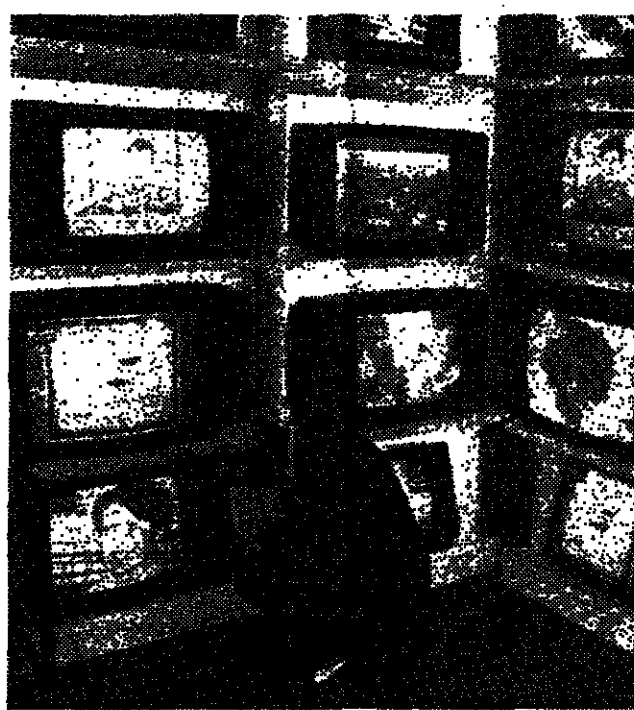
lighted advertising agencies and advertisers, who in the past were frustrated by the legal restraints that limit RAI in terms of total advertising time and ad content.

Less happy are those Italians who for ideological reasons oppose the consumerist slant of much advertising, as well as movie producers and newspaper publishers. Nowadays, more money, roughly \$70 million a year, is being spent to produce commercials than to make feature films.

Another result of the current trend is the gradual shrinking of the share of advertising going to the investment-starved Italian print media, down from about 60 percent of total advertising revenue in 1980 to just over 42 percent at present.

Originally, the RAI ceiling, which last year was set at 543 billion lire (\$271.5 million) and is expected to be increased by 7 percent for 1985, was

(Continued on Next Page)



A variety of channels to choose from.



A newsstand in Milan.

## Expanding Economy Attracts Investors From Abroad

By Dalbert Hallenstein

MILAN — Italy's expanding economy is attracting a record number of foreign investors. In the past two years, 52 major foreign corporations have bought a controlling or significant interest in Italian companies, and in the last year alone at least 20 companies moved in, spending an estimated 1.5 trillion lire (\$750 million).

Yet, despite a remarkable fall in 1984 in the number of hours lost through strikes — the lowest since 1952 — and an investment return rate far above the European average, foreign companies are beginning to feel uneasy about the future. The disquiet has been caused by a Ministry of Industry proposal to impose limits on foreign investment in Italian companies, while comments in the press refer to "industrial colonization" and "a multinational takeover."

Worries of this type do not seem to have significantly stemmed the flow of foreign capital into Italy, however. Last month, the Aga Khan bought out a controlling interest in the CIGA hotel chain for at least \$80 million, and Fiat and Ford are studying cooperation that could take the form of a joint venture or a shift of capital.

The Banca Nazionale del Lavoro, Italy's largest trading bank, estimates that there are about 1,000 foreign-controlled industrial firms operating in Italy and that they employ half a million people, 7 percent of the industrial labor force.

In 1978, the number of foreign-controlled firms was fewer than 600. The 1970s were years of galloping inflation, of terrorism, of soaring wage costs and high levels of absenteeism. In the mid-1970s, the average number of work hours lost through strikes was about 125 million; last year, it was down to 40 million. There was fear, too, of the

increasing power and popularity of the Italian Communist Party. Many foreign companies decided to pull out of Italy.

By 1981, the tide was turning. Leftist terrorism appeared virtually defeated and the Communist threat was receding. The breaking of a five-week strike at the Fiat works in Turin dealt a blow to the unions and led to massive layoffs, followed up by the successful restructuring of Fiat, Olivetti and many other businesses.

"About 1981, Italy began to appear a very dynamic country," said Elido Fazi, an executive of Business International, a U.S. consultancy. "The economy was strong and somehow people abroad began finally to understand that, despite the Communists and their fluctuating successes, things in Italy do not change very much. Here, despite the seeming chaos, there is a deep-seated stability."

Besides the improving state of industrial relations, one of the main attractions for foreign companies, Mr. Fazi says, is the high rate of return on investments. According to the U.S. Department of Commerce, the rate on Italian investments in 1983 was 9.5 percent, against a European average of 4.7 percent. The highest was Ireland, with 22 percent; West Germany had 5.6 percent, Britain 3.1 percent, and France minus 1.7 percent.

The strong dollar and Italy's devaluing lira have also made the country's industries extremely attractive to foreign investors.

Other attractions include a falling inflation rate, though still comparatively high at 8.6 percent, a successful attempt by the present government to cut labor costs by modifying the wage-indexing system and an impressive rise in the rate of productivity per unit of output, which last year rose by 7 percent.

U.S. companies make up about

Foreign Investment in Italy (in billions of lire)		
	Direct	Portfolio
1980	816	1,203
1981	1,629	2,281
1982	1,464	1,312
1983	2,499	3,257

Source: Bank of Italy

40 percent of the foreign firms operating in Italy, followed by Britain with 14 percent, Switzerland 14 percent, France 13 percent, the Netherlands 5 percent, and Sweden and Belgium 3 percent each. According to a recent report by the Banca Nazionale del Lavoro, a significant part of Swiss investments in Italy consists of Italian capital that was illegally exported during the 1970s and early 1980s and is now returning.

Seventy-five percent of foreign investments are in the industrial sector, particularly in pharmaceuticals, petrochemicals, food, engineering and electronics. The rest are in the service sector, in leasing, brokerage, accountancy and software.

In some of the major foreign ventures over the past 18 months, West Germany's Allianz Insurance acquired 51 percent of RAS Insurance (Riunione Adriatica di Sicurtà) for close to 700 billion lire; AT&T of the United States bought 25 percent of Olivetti for \$260 million; Beecham (U.K.) took 83.3 percent of Zambelli Pharmaceuticals for 100 billion lire; Dow Chemical (U.S.) acquired 90 to 99 percent of Lepetit Pharmaceuticals for 47 billion lire; Plessey (U.K.) took 33 percent of Elettrotecnica (military electronics) for 47 billion lire; Glaxo (U.K.) bought 100 per-

(Continued on Next Page)



## A SPECIAL REPORT ON ITALY

## 'Scala Mobile' Escalates Labor's Identity Crisis

ROME — The Italian labor movement, traditionally a vassal of party politics, is undergoing an identity crisis.

The three major trade unions are not only split over wage negotiations but also over the need for reform in labor relations to keep pace with the rapidly changing face of Italian industry and mutations in the composition of the work force.

The issue that finally precipitated a crisis was the *scala mobile*, Italy's controversial wage "escalator."

For almost three decades the *scala mobile* was considered "untouchable." It was the pride of the trade unions, the bastion of workers' power, and neither government nor employers' group dared touch it. But during the last 14 months, the government has acted to limit the system, which was designed to protect workers against inflation.

This bold step, taken by the Socialist prime minister, Bettino Craxi, was explained by the need to curtail inflation and labor costs to make Italian products more competitive on the international market.

After a period of unusually stable labor relations, tampering with the *scala mobile* not only divided labor unions along political lines but also set the scene for yet another confrontation, pitting the Communist Party, the biggest in Western Europe, against "the rest."

Everyone took up predictable positions, even Italy's Red Brigades terrorist group. On March 27, it assassinated Enzo Taramelli, chief economic adviser to Craxi (Confederazione Italiana Sindacati Lavoratori), the trade union associated with the Christian Democrats. He was considered the architect of the project to water down the "escalator."

The assassination marked a period of unrest that began in February 1984, when Mr. Craxi's five-party coalition government, despite Communist opposition, reduced the protection of the *scala mobile* from 80 percent to 65 percent.

In effect, this left workers with 6,800 lire (\$3.40) less per month.

The Communist Party collected 1.5 million signatures to force a referendum.

In January, the constitutional court ordered that the vote be held by June this year. The great bulk of workers, already convinced they were paying for the country's economic recovery, were further alienated when the court decided that should the vote go against the government, employers had no obligation to pay back wage increases lost between the time of the limitation decree and the referendum.

By this time, the unions were deeply divided. The CISL and the Socialist's Unione Italiana del Lavoro backed the coalition government. They even agreed to a proposal that would see the *scala mobile* applied once every six months instead of the current three months.

But the Communist CGIL (Confederazione Generale Italiana del Lavoro) demanded a return to the old system and called for strikes. The referendum hangs over everyone like a Damocles sword. The government is afraid of the consequences if the vote goes against it (a foregone conclusion). The coalition unions are afraid the result will further disrupt union unity and give the Communists an undesirable advantage. And the Communists fear that their referendum will boomerang because Confindustria, the employers' association, has threatened to ignore the *scala mobile*.

**At stake in the war of attrition is not so much the *scala mobile* or the unpopular and expensive referendum, but changes in labor relations.**

Everyone like a Damocles sword. The government is afraid of the consequences if the vote goes against it (a foregone conclusion). The coalition unions are afraid the result will further disrupt union unity and give the Communists an undesirable advantage. And the Communists fear that their referendum will boomerang because Confindustria, the employers' association, has threatened to ignore the *scala mobile*.

payments, a decision to which they are entitled. This would mean a long period of labor unrest for which the image-conscious Communists are certain to be blamed. At stake in the war of attrition is not so much the *scala mobile* or the unpopular and expensive referendum, but changes in labor relations.

During the last four decades, wage differences between skilled and unskilled labor, between blue-collar and white-collar employees,

have been eroded to a minimum. The result has been worker apathy and lack of initiative.

But this is not the only issue on which Confindustria is challenging union prerogatives. The industrialists also want to choose new workers rather than having them imposed by the unions. In addition, they want the right to move workers from one city to another and the right to ask that overtime be

worked without first negotiating with the unions.

Confindustria already has indicated that it is ready to compromise on the *scala mobile* if the unions agree to its own demands. It remains adamant, however, in its refusal to cut the 40-hour working week by two hours.

The public confrontation between employers and labor is not without its renegades on both sides. They indulge in what Italians like best: their own private agreements.

This system allowed many industries to shed an average of 7 to 8 percent of their labor force, with minimal conflict, after the restructuring of plants in the investment boom of 1979-1981. But while these companies reduced their work force, statistics indicate that the number of working hours actually increased as many workers, quietly and over the heads of their unions, accepted pay-raise "bribes" tied to productivity.

"Despite the cuts in the *scala mobile*, most workers last year had an actual wage increase of 11.5 percent, mainly due to private accords," said Luigi Spaventa, an economist.

Unity on both sides is cracking. The question is who gives in first and under what terms.

— ULI SCHMETZER

## How the Wage-Indexation System Works

ROME — The *scala mobile*, Italy's wage-indexation system, is calculated on the cost of living of a family of four in the country's 16 major cities.

Revised every three months, the index is based on a basket of 89 basic products, including gas, electricity, transport, clothing and 10 types of fruit.

The family of four is considered as 3.4 units. Each unit has the right to a daily ration of 3,000 calories. The husband is considered the only full unit, the wife and two children are .80 of a unit each.

The difference between two consecutive indexes are points with two decimals. (The average increase in the quarterly cost of living in Italy over the last two years has been two points.)

The first national *scala mobile* agreement was signed in 1957 by the three labor unions and Confindustria, the employers' association. But as far back as 1948, wage-indexation systems had been applied in some Italian regions to cushion workers' incomes against the effects of inflation and to assure regulated increases in wages.

The 1957 agreement fixed the

payment of one point at 1,000 lire. In a revised agreement in 1975, the price of a point was raised to 2,300 lire and in 1982 to 6,800 lire (about \$3.40), the current rate of calculation.

In the controversial decree passed by parliament in February of last year, the government decided to abolish the practice of rounding off decimal points. Instead, decimals were carried over to the next quarter. For example, if the difference between two consecutive indexes is 1.70, then only the equivalent payment of one point, or 6,800 lire, is now added to wages, the remaining .70 being carried over to the next quarter. Under the old system, the 1.70 would have been rounded off to 2 points.

The Communist trade union, Confederazione Generale Italiana del Lavoro, complains, with some justification, that the new system not only deprives workers of valuable decimals (no more rounding off), but delays by three months part of the compensatory payment.

The wage "escalator" has been frequently criticized as outdated. Products in the "basket" have not changed since 1957 (except for

heating fuel replacing coal) and many products, like lard and certain types of grain, are no longer used.

Moreover, some products are kept artificially at a low cost. The

rate for cigarettes, for example, is based on the Nazionale brand, a tiny cigarette, hard to find in any store and a third the price of foreign and popular brands.

— ULI SCHMETZER



A new cash dispensing system in a Milan street.

## Economy Is Attracting Investors From Abroad

(Continued From Previous Page)

cent of Italcem Pharmaceuticals for 21 billion lire, and Electrolux (Sweden) acquired 49 percent (plus debentures) of Zanussi domestic appliances for 300 billion lire.

About half of the companies taken over by foreign investors were already in bad financial shape. The acquisition by Electrolux of the ailing appliance maker, Zanussi, once the pride of Italy's surging "economic miracle" of the 1950s and early 1960s, caused widespread concern in union and political circles. Sixty percent of Italy's pharmaceutical sector (Italy is the fifth largest pharmaceutical market in the world) is now controlled by foreign companies, and many of the small and medium-sized high-tech companies that abound in northern Italy are being bought out by foreign companies. Although these companies are competitive and structurally sound, they are often beset with financial difficulties due to the high cost of money and the weakness of Italy's stock market.

Politicians of both the left and center are beginning to express alarm that in certain vital sectors, such as advanced electronics and pharmaceuticals, the multinationals are concentrating their research

abroad, endangering Italy's long-term technological development.

There is also fear that if the wave of foreign takeovers continues unchecked, more and more vital decisions on industrial strategy will tend to be made abroad, with possible negative effects for Italy. Last October, the minister of industry, Renato Altissimo, a member of Italy's small conservative Liberal Party, proposed drafting a bill to limit foreign participation in Italian companies to 30 or 40 percent.

Recently, he described his proposal as "similar to the German antitrust regulations." Another prominent politician, Franco Foschi, a Christian Democrat and head of his party's social department, recently proposed even tougher regulations.

"These are already warning signals," said Mr. Fazi of Business International, which organized a meeting of 60 of the managers of the largest foreign-controlled companies in Rome last month to discuss the problem. "The companies do take these signals seriously," he said, "but they are not unduly worried. They realize that in the Italian setting such proposals take years and years before they become law and, in the meantime, both ministers and their opinions change."

## Private TV Growth Changes Media

(Continued From Previous Page)

designed largely to protect the undercapitalized Italian press. "But the advent of commercial private television has made our ceiling largely meaningless," said Giuliano Adriani, TV advertising chief for SIPRA, the state-owned advertising sales agency.

But also perturbed are those Italians who object to the extreme "crowding" of commercials on the private channels. According to the interim decree law due to expire in June, private-station advertising can now legally reach concentrations of about 20 percent (12 minutes) per viewing hour and 16 percent of weekly broadcasting time. In peak viewing times there are frequent interruptions, with as many as eight to ten 30-second spots.

The RAI statute sets an overall limit of 5 percent; currently, according to Mr. Adriani, total advertising on the state channels is only slightly more than 4 percent of total broadcast time. But competition from the private stations is such that RAI, too, has stepped up advertising, taking an unprecedented half-time break for films and interrupting lengthy variety programs and talk shows.

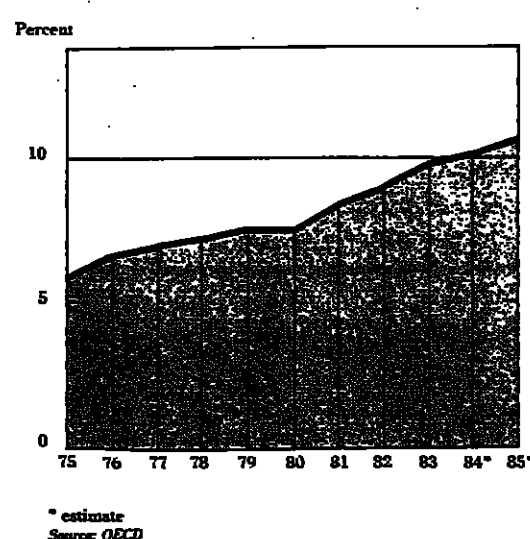
The result of all this is a situation

unique in Western Europe. According to statistics compiled by UPA and ANIPA, Italy's two advertisers' associations, Italian television now offers between 410,000 and 430,000 commercial spots a year.

So far, the most vocal protest has come from the Communists and some Christian Democrats who would like limits on total commercial time to be reduced further when a permanent law is put on the books. Also angry are filmmakers unaccustomed to seeing their works repeatedly interrupted by ads for toilet paper and detergents. Lawsuits have been brought by directors such as Federico Fellini, Ettore Scola, Luigi Comencini, Francesco Rosi and Lina Wertmüller.

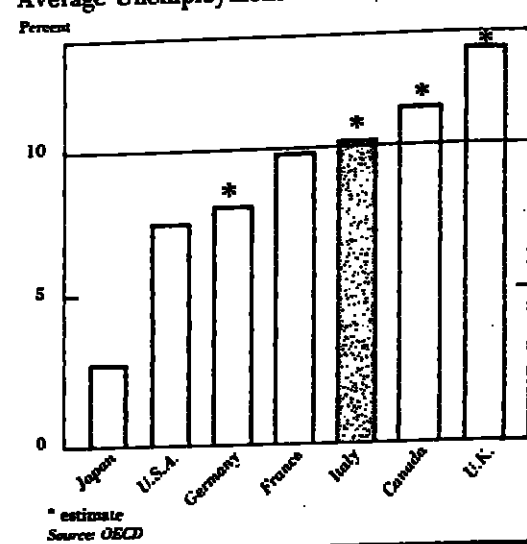
But for the time being, at least, Italian viewers appear relatively undisturbed by the advertising onslaught. According to officials at Publitalia, Mr. Berlusconi's marketing agency, they have set themselves a 1985 target of at least 1.2 trillion lire in gross advertising revenue. But they expect to reach that goal more by optimizing the use of daytime ad space, encouraging advertisers to get away from seasonal ad campaigns and using greater incentives to attract new clients than by increasing the number of commercials in prime time.

## Double-Digit Unemployment



## How Italy Compares

Average Unemployment Rates for 1984.



Isabel Carb-Montero/PH

## Economy Has a Relapse After a Healthy 1984

(Continued From Previous Page)

rent predictions. Despite the limitations on the *scala mobile*, experts say inflation will hit 9 percent or 10 percent and even the Bank of Italy thinks there is no chance to achieve the projected 7 percent for 1985.

At the same time, unemployment, now at 10.3 percent (2.5 million workers, not including those

laid off on state pay), is climbing and so are labor costs, a fact largely due to private "arrangements" between workers and employers.

"No doubt, the government prompted too much optimism last year," said Mr. Spaventa. "People are now beginning to look at things a little more soberly."

But just as there are two Italys, the north and the south, there are two Italian economies, one governed by Rome, the other by private industry. Both have their own modus operandi.

Attached to private industry is the "black" or submerged economy. This phenomenon, which never shows up in official statistics, accounts for an estimated 20 percent to 30 percent of gross national product.

It is this invisible industry that often acts as a shock absorber for the system. It makes parts and components, from shoelaces, zippers and buttons, to nuts and bolts. It can be found in backyards, barns and private homes, often run by families, seldom employing more than three or four people.

It does not worry about taxes, labor laws, strikes, social security payments or, for that matter, the many directives from Rome. It simply does the job for which it was contracted.

But it does quietly absorb many of the unemployed, provides second and third jobs for many people and allows private industry to contract out pieces of its production to avoid the drain of social security payments, the problems of a fixed work force and official labor regulations.

When Finance Minister Bruno Visentini cast about for ways to replenish the depleted state coffers,

he set his sights not only on tax evaders but also on this "gypsy economy."

His campaign found instant support with the trade unions. The Socialist union, UIL (Unione Italiana del Lavoro), even put up posters that said: "I pay taxes. How about you?" UIL also did its own research and published the names and incomes of alleged tax defaulters in what was quickly criticized as "trial by union."

The Visentini tax package went into effect in January this year. It abolished income splitting among members of one family engaged in the same business and made compulsory the registration of each family member engaged in the business. It also introduced "inductive tax assessment," which gives tax inspectors new powers (and opportunities for corruption) to arbitrarily decide what an individual or business has earned if irregularities are discovered.

The measures, which were expected to extract 3 trillion lire in new revenue, might stop (or at least reduce) the ludicrous situation in which bosses claim to earn less than their workers and lawyers and doctors earn less on paper than their receptionists.

Yet it will probably not be the tax collector but the modernization of industry into homogeneous units, with computerized machinery and a minimal work force, that will make the submerged economy unnecessary.

This "black" sector would have ceased to exist long ago were it not for the flexibility and creativity of an industry that has steered with success through years of wage inflation, labor unrest, political turmoil and mounting debts, always finding a way to survive.

An example of how industry can adjust rapidly to change is Montedison, the leading chemical group, which streamlined its production, shed loss-making subsidiaries and now appears set to make profits.

The success story of the private sector has prompted the government to indulge in a little prying of its own holdings, in tune with similar trends in Britain and West Germany.

IRI (Istituto per la Ricostruzione Industriale), Italy's largest state holding company, has jettisoned some of the less profitable of its 600 subsidiaries, which employ 4 percent of Italy's labor force, and intends to sell off part of its shares in such profit-making companies as Alitalia, the national airline.

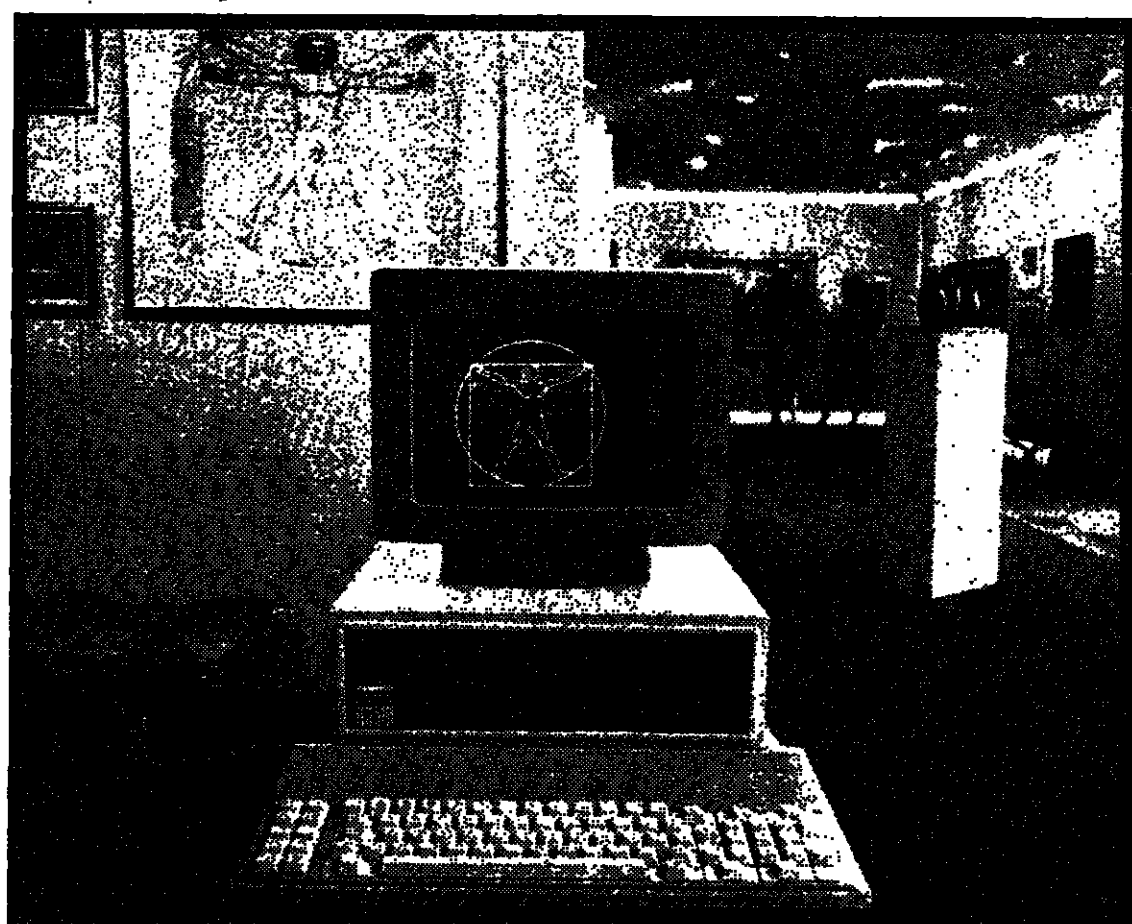
But IRI and other state holding companies like the energy conglomerate, ENI (Ente Nazionale Idrocarburi), are saddled with priorities that are often more political than industrial. They amassed losses because they were required to rescue companies without a future, for political reasons. Management changes were frequent, so were charges of corruption; badly needed development funds often found their way into party pockets.

But under determined new managers, the state industries are becoming more functional and performance-conscious. "They no longer send the lame ducks into state enterprises. Times are changing," said one economist.

Gloomy as the picture often appears on paper, nothing is ever lost in a country where private entrepreneurs show a baffling capacity to avoid the evils of an inefficient and archaic political system.

Contradictory as it may seem, in this environment the individual flourishes — and even prospers.

## The bank that masterminds some of Italy's most enlightened businesses



Olivetti's forward-looking research led to their sophisticated M24 personal computer

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With an organization of Olivetti's scope it is natural that two thirds of its annual turnover should be in sales outside Italy — last year the equivalent of US\$ 1540.0m out of a total of US\$ 2440.4m.

Olivetti is, like so many other distinguished, world-orientated Italian companies, a customer of Cariplo, the

Lombardy-based savings bank which is now not only a powerful financial force in Italy, but is becoming increasingly involved in corporate banking around the world, and expanding its resources with clients like Olivetti.

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## Technology Sector Making a Comeback

By Paul Bompard

ROME — If Italy's traditional electronics industry missed the boat in the 1970s, it is more than making up for it now in the new fields that have opened up over the last 10 years.

While television and radio manufacturers have been all but crushed by West German and Far Eastern competition — and by their own inefficiency — in the more advanced areas of electronics there are Italian companies that are healthy, growing and competitive.

The old industry never recovered from the labor and overstaffing problems of the 1960s and 1970s, said Giulio Senni, of the Associazione Nazionale Industrie Elettrotecniche ed Elettroniche. "Then the government delayed for years before choosing a TV color system, finally opted for PAL [the German system] and opened the door to imports."

But if this side of the electronics industry is in bad shape, with 4,000 workers drawing unemployment benefits, in the fields of sophisticated components, telecommunications, military electronics, radar and air-traffic control and, in the case of Olivetti, in small computers and data-processing machines, business has been booming.

Much of this success has come from the state-controlled STET group of companies, partly because of a growing trend to have these companies managed by dynamic, private-style administrators on principles of efficiency rather than the old system of keeping costly, unproductive state companies alive at all costs.

One of the stars is SGS Ales of Agrate Brianza, near Milan, a producer of semiconductor chips. In 1980, after years of deficit, SGS, a STET company, was put into the hands of Pasquale Pistorio, a Sicilian who left Motorola in the United States to take over the job. In five years, SGS has become Europe's third producer of silicon chips after Philips and Siemens. It is, however, first as an independent supplier.

About 83 percent of the company's products are exported, and a contract was recently signed to supply International Business Machines Corp. with components. According to Franco Morganti, of Reseau, an independent research company in the electronics field, "SGS makes bipolar integrated circuits better than anyone."

For 1984, SGS profits were 25 billion lire (\$12.5 million) on sales of 572 billion lire. It was about 50 billion lire in the red in 1982 and only just broke even in 1983.

Another thriving company of the

STET group is Italtel, specializing in equipment and systems for telecommunications. In this case, the company was turned over in 1981 to Marisa Bellisario, who came from Olivetti.

Another STET company, Selenia, is a leading producer of military electronics, equipment for air-traffic control, radar, defense systems and flight simulators. In 1984, sales rose to 579 billion lire, from 478.5 billion in 1983, and the company exported 65 percent of its products.

But the current boom is by no means restricted to state-controlled companies. The remarkable recovery of Olivetti has become one of Italy's industrial legends. In 1978, Carlo de Benedetti took over a weak manufacturer of typewriters and office equipment that seemed doomed to become an industrial failure. Since then, Olivetti has almost tripled its sales and become Europe's foremost producer of electronic-office and data-processing equipment, not to mention a competitive range of small computers.

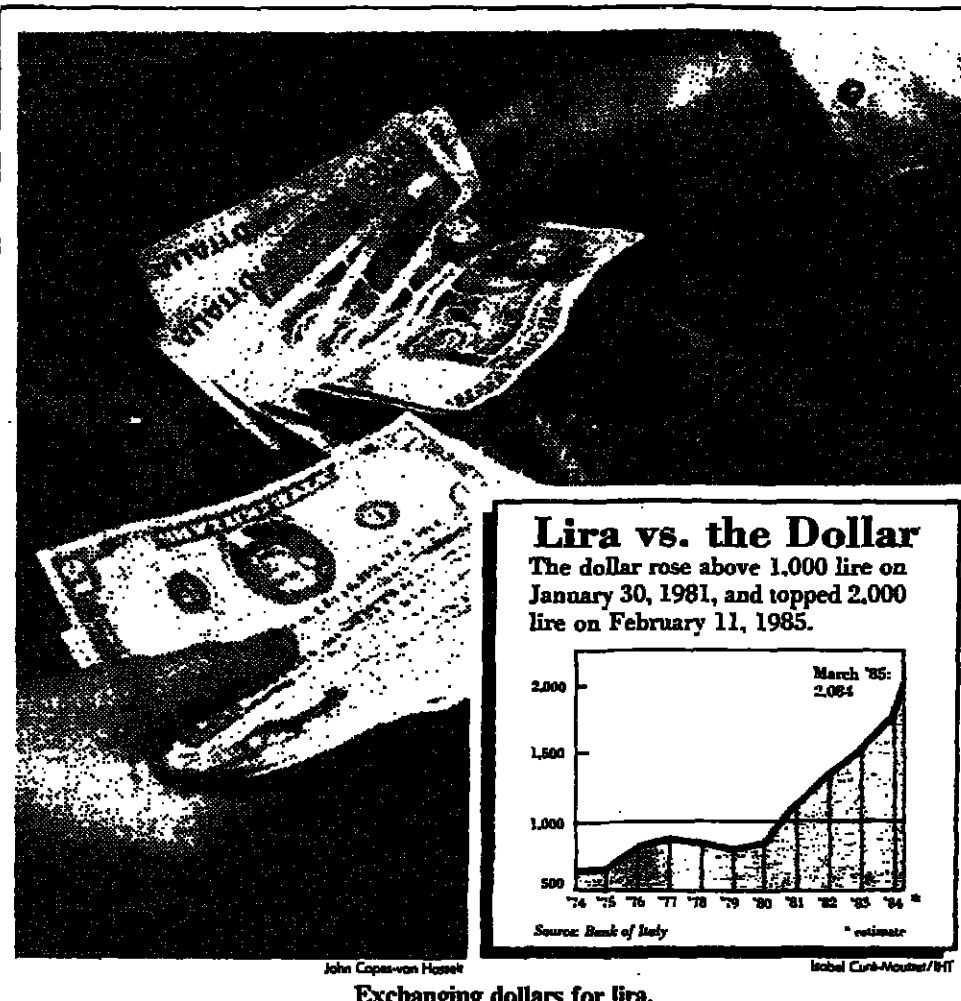
The recent sale of 25 percent of Olivetti's stock to AT&T of the United States should, through the acquisition of new technology and the opening up of the American market, make the Italian company a still more formidable international contender.

Of the medium and small private companies, many are healthy and competitive, even if they operate in limited sectors. A good example is Contraves, based just outside Rome, which produces and exports a wide range of electronic military equipment, a field in which Italian firms are traditionally active.

The area outside Rome along the Via Tiburtina has acquired the nickname of "Tiburina Valley" because of the large number of such firms that have sprung up there recently.

Today, the Italian electronics industry employs more than 200,000 people, about 80,000 in the aging traditional sector and 120,000 in the new fields. Together, they produce goods worth about 12 trillion lire, considering only what can be strictly described as electronic. Of this, roughly half is exported, but imports are about 30 percent higher, with a particularly negative balance in informatics at one end of the industry and radio and television at the other.

"The Italian electronics industry," says Mr. Morganti of Reseau, "has a number of specializations that are absolutely competitive on an international level. Where we are behind is in medium and large informatics."



Exchanging dollars for lira.

## Fiat Turns Slowdown Into Speedup

ROME — "Fiat: First in Europe." The high-profile slogan, displayed in showrooms and newspaper ads, sums up the elan and confidence felt these days by officials of this giant, private Italian car manufacturer, which, despite notable market softness throughout Europe in 1984, continued what most observers in Italy agree is a remarkable return from the edge of the grave to industrial and financial health.

The Turin-based colossus, (230,000 employees, about half of whom work in the auto sector) owned by the Agnelli family and run by a team of hard-nosed managers and technocrats under the leadership of the managing director, Cesare Romiti, currently produces 1.27 million cars a year, equal to more than 80 percent of total Italian automobile production. Improved labor relations, rationalization of production, sales and finance, and massive investments have combined to make the future bright. The current situation contrasts radically with Fiat's situation five years ago, when growing indebtedness, chronic labor strife, plummeting productivity and high

losses in the car sector plagued the company. As the Fiat chairman, Gianni Agnelli, put it, 1984 was a "bullish" year for the company. Although demand in Europe fell by an average of 2.5 percent, Fiat Auto SpA, which today means Fiat, Lancia, Autobianchi and Ferrari, was able to substantially maintain or improve on its 1983 market shares, selling new cars to 54.3 percent of the Italians who bought them (1983, 55.4 percent) and grabbing a No. 1 spot in Europe (Spain excluded) with 13.3 percent of sales. In 1984, Fiat sold 1.5 million cars worldwide, with 930,000 of them in Italy.

Total sales by Fiat Auto SpA at the end of 1984 increased slightly to \$6.3 billion, equal to about half the revenues of the entire Fiat group. Profits for the past year, not yet released, are expected to far exceed the \$40 million registered in 1983, and with Fiat Brazil finally in the black, profits will no longer be canceled out by the South American subsidiary's losses.

Much of last year's excellent performance reflects the continuing

success of the Fiat Uno, currently the single most popular car both in Italy and in Europe as a whole. A total of 331,000 Unos were sold last year and nearly a million have been bought since the small but roomy fastback went on the market in early 1983.

But perhaps even more important at year's end was the glowing financial outlook. Although results for Iveco, the commercial-vehicle subsidiary, continued to be disappointing, the group as a whole (autos and 14 other sectors ranging from tractors and aviation to telecommunications and production systems) finished in style. Consolidated sales (net of intragroup trade) rose by some \$600 million over 1983 to reach \$11.6 billion, with the best improvement in sales performance achieved by construction machinery (27.6 percent) bio-engineering (27.4 percent) and production systems (22.6 percent).

— SARI GILBERT

## Privatization Moves Cautiously Into National Industrial Sector

ROME — Privatization in Italy is proceeding at an increasing, but cautious, pace. In a country where for the past 50 years state participation in industry and banking has been a major and often successful factor, the authorities have no intention of completely dismantling state enterprises. However, there is a growing desire to privatize companies of lesser importance and to attract more private capital into the most important state-run concerns.

Opposition to privatization remains, particularly at grass-roots level, and this explains the low profile that state management seeks to maintain when privatizing a company or plant. In the provinces, a company the state defines as "marginal" is often a major source of employment. Opposition to its privatization often ranges from the unions and leftist political parties to the local bishop and conservative town councillors.

For decades, state-owned factories have been regarded as a water-tight guarantee of employment, even though they may have been incurring enormous losses. Yet, the Istituto Ricostruzione Industriale (IRI), Italy's (and Europe's) largest state-holding company, was founded in 1933 to take over banks and industries in difficulty, to restore them to financial health and eventually to sell them back to the private sector. This never happened, although the IRI has always encouraged a large presence of private capital in most of its 1,060 companies, while rigorously maintaining a controlling interest.

Italy's second-largest state holding concern, Ente Nazionale Idrocarburi (ENI), the national energy authority, was founded in 1953 and until the early 1960s both it and IRI were regarded in Italy and abroad as models of efficiency in the field of mixed state and private enterprise.

By the mid-1960s, the situation had completely changed. The state holding companies yielded to the

pressures of Italy's politicians; the appointment of top and middle-level management began to be decided on political grounds.

The results were disastrous. For although some sectors of state industry managed to remain immune to political patronage and mismanagement, others, especially in the mechanical and petrochemical sectors, began to register huge losses. Vast sums were siphoned off to finance slush funds and the political parties, and the state holding concerns were used to absorb hundreds of companies in economic difficulty to guarantee tens of thousands of jobs — and votes.

This process accelerated after 1974, reaching its high point with the creation of yet another state holding company, Ente di Gestione delle Aziende Minerarie e Metallurgiche (EGAM), the state mining and metallurgical authority. In 1976, four years after it was founded, the company went bankrupt. It was employing 33,000 people, having absorbed dozens of companies in difficulty.

The repercussions from the EGAM debacle can still be felt today, for IRI and, to a lesser extent, the energy authority, were forced to absorb EGAM's assortment of debt-ridden companies. The law that abolished EGAM allowed them, for the first time, to either liquidate companies or privatize them. This also led to the present, largely successful efforts

by both groups to clean up their management and re-acquire a strong measure of autonomy from political interference.

The politicians, too, began to change. In 1981, the Ministry of State Participation published a white paper giving guidelines to privatization. The ministry wants the state holding concerns to sell off companies in which increased efficiency and higher productivity can be achieved by private entrepreneurs. The areas earmarked for privatization are farming, textiles, clothing, cement and tourism. Certain small chemical and mechanical companies are also included.

So far, the IRI has released 50 small and medium-sized companies to the private sector, about a third of which were part of the EGAM inheritance.

ENI, with fewer marginal companies to release, has followed a policy of increasing private participation in its more successful sectors. Last July, it opened up one of its key companies, SAIPEM (marine engineering), to the private sector by offering shares worth 140 billion lire (\$70 million) on the Italian stock market.

The operation, which represented 20 percent of SAIPEM's capital, was the biggest offer to be floated on the Italian market, attracting such buyers as the pension funds of the United Nations, IBM and General Electric.

— DALBERT HALLENSTEIN

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am 200	Hong Kong & S/K	74 1/2	Mar	100	5.80	72 1/2	7.20	7.20		am 100	European	90 1/2	Feb	100	6.50	6.50	6.50		am 100	European	90 1/2	Feb	100	6.50	6.50	6.50	
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## Over-the-Counter

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## Keating Leads Reform Of Australian Economy

(Continued from Page 11)

First, he would declare that profit margins of Australian banks were too high, reflecting the lack of competition. Then, he would challenge the left-wing politicians — ostensibly champions of the working man — asking why they seemed to be protecting the welfare of pin-striped union-hating bankers.

To the big Australian banks, now itching to expand internationally, Mr. Keating used a different selling tactic: By letting in foreigners, the local banks should now have access to lucrative overseas markets, such as Japan, where reciprocal restrictions had kept them out.

The number of foreign banks let in was higher than anticipated. After a Labor Party conference last year, it was expected that six to eight overseas banks would be granted licenses. But in the months leading to the February announcement, Mr. Keating fought effectively to lengthen the list.

Major institutions from the United States, Japan and Western Europe, including Citibank, Bank of America, Bank of Tokyo, Industrial Bank of Japan and Barclays, were allowed in.

But some local bankers, although nominally free-market enthusiasts, worry that Mr. Keating may have gone too far. "I have always advocated that a door should be opened to foreign banks," said Robert White, managing director of Westpac Banking Corp., Australia's largest bank. "But I do not know that I ever advocated that the door locking them out should be ripped off its hinges and thrown away."

The big changes in the Australian financial system began in late 1983. Foreign exchange controls were dismantled and in December of that year, the Australian dollar was allowed to float — joining most of the other major currencies — its value to be determined by the currency markets, not by the government. In 1984, foreign exchange trading was opened to new competitors.

Mr. Keating's efforts won him the distinction of being named 1984's Finance Minister of the Year by Euromoney magazine, which cited "his courage in pushing through a whole series of measures deregulating Australia's archaic and uncompetitive financial system."

Today, Prime Minister Hawke and Mr. Keating are the leaders of the Labor Party's right wing, the dominant force in Australian politics.

Relations between the two men are close enough that in political

circles it is generally believed that Paul Keating says what Bob Hawke thinks. The prime minister, trying to keep peace within his unruly party, must be circumspect in his public pronouncements.

Mr. Keating is the man with the gloves off. In appearance and manner, he seems a bit closer to a partner in a Wall Street investment banking firm than an Australian reared in the political wilderness of Sydney. Yet he is not partial to the Australian business establishment, which is centered in Melbourne, and is, instead, closer to Australia's freewheeling, self-made men, such as Robert Holmes à Court and Rupert Murdoch.

Mr. Keating, who has a sharp tongue and uses it, is called a "head kicker" in the blunt parlance of local politics. In parliament, he once dismissed a member of the opposition as "an arrogant ant."

But some of his most biting remarks are directed at the left wing of his own party. During a recent interview, he referred to those members of the Labor Party who advocate greater central control by the government in the economy as "Neanderthal leftists."

Such talk does not sit well with the party's left wing. Moreover, the leftists charge that the party is in danger of abandoning its traditions and losing its heart.

To this criticism, Mr. Keating replies, "Having your hanky out for the poor does nothing unless there is sufficient economic growth to improve their lot."

The hallmark of the government's economic program is pragmatism. Mr. Keating stresses that he believes in incentives in most areas of economic activity because of efficiency, not philosophy.

"We are clearing away the debris of government intervention in areas where it doesn't work," Mr. Keating said. "But we're not wedded to dogma. We haven't fallen in love with Adam Smith or Milton Friedman."

In a sense, Mr. Keating's practical commitment to markets reflects a general shift to the right in Australia on economic matters — a change in thinking not only within the Labor Party but in the country as a whole.

The Hawke-Keating brand of pragmatism has worked well so far, helped by a cyclical recovery in the global economy and the end of a long drought in Australia. Since Labor took over, economic growth has surged, employment has expanded and the inflation rate has been cut in half.

Still, further changes are needed to make the Australian economy more competitive internationally. These adjustments require difficult



**"We are clearing away the debris of government intervention in areas where it doesn't work. But we're not wedded to dogma."**

—Paul J. Keating

institutional and structural changes, such as altering the tax system and reforming industrial relations in the strike-ridden nation.

For decades, personal income tax rates have not been adjusted for inflation, so that now Australia has some of the highest rates in the world at comparatively modest levels of income. For example, the marginal tax rate is 60 cents on the dollar for a person with 1.8 times the average weekly earnings, or the equivalent of \$27,000 a year. Thus, the system provides a considerable incentive to avoid taxes while being a deterrent to working more for additional money.

Yet the inefficiencies of the present system also benefited certain interest groups. So it will be a stiff political challenge to bring wholesale reform to Australia's tax setup. A so-called tax summit meeting is scheduled for later this year, involving representatives of business, government and the unions. The reform package considered most likely to be chosen would include big cuts in income taxes, which would be offset by an indirect tax on consumption and possibly capital gains taxes.

Mr. Keating will be the key man in winning approval for tax reform. If successful, the most significant change in taxation in 40 years would be a considerable achievement.

## Unocal Drafts New Plan to Bar Pickens

New York Times Service

NEW YORK — Unocal Corp. in a further move to thwart a takeover by T. Boone Pickens, says its executive committee has recommended that the company spin off a large portion of its assets into a limited partnership, much of which would be available for public sale.

The proposal, which is expected to be approved by Unocal's board, would place 45 percent of the company's domestic proven oil and gas reserves into the new partnership. The company did not disclose how much of the partnership it would hold for itself.

The public sale of units in the partnership, which is also dependent on approval by the Securities and Exchange Commission, would enlarge the company's cash position, analysts said. That might reduce the chances of a collapse in the current price of the stock if Unocal's pending defensive maneuver is successful in defeating Mr. Pickens's outstanding tender offer of \$54 a share for control of the California company, they said.

In active trading Friday, Unocal's stock closed at \$47.625, up 37½ cents. The company's announcement came shortly before the close of trading on the New York Stock Exchange.

## Fed Approves Chase's Purchase Of 2 Ohio Thrifts

United Press International

COLUMBUS, Ohio — The U.S. Federal Reserve Board has approved the purchase of two Ohio savings and loan associations by Chase Manhattan Bank of New York, according to Robert B. McAlister, state superintendent of savings and loans.

The Fed had approved Chase's acquisition of Mentor Savings Bank, in Mentor, and Federated Savings Bank, in Cincinnati, for a combined price of \$7.4 million, he said.

The Mentor institution is open for full service, but Federated is open only for withdrawals of up to \$1,000 per month.

Mr. McAlister said he would allow Federated to open for full service this week if the transaction is completed.

**BankAmerica Acquisition**  
BankAmerica Corp. agreed in principle to acquire Oregon Bank and related subsidiaries from Bancor Financial Services Corp. for \$57 million in cash, Reuters reported from San Francisco.

## THE EUROPEAN COMMUNITY

### Delors Hopes His U.S. Visit Will Ease Economic Tension

By Steven J. Dryden

BRUSSELS — Jacques Delors, president of the commission of the European Community, hopes his visit to Washington this week will reduce tensions between the United States and the EC and encourage progress toward a new round of multilateral trade talks.

"I hope to come to a clarification of our respective positions" and encourage "cooperation in solving the problems of the world economy," Mr. Delors said in an interview last week.

Mr. Delors, who will meet President Ronald Reagan and several

cabinet members Tuesday and Wednesday, has a special interest in exploring the proposal by James A. Baker Jr., the Treasury secretary, for an international conference on monetary issues, aides said.

Mr. Delors praised Mr. Baker's suggestion, which was made April 12 in Paris. It has been seen as a response to the EC view that talks on monetary reform are needed along with a new round of negotiations on liberalization of trade.

"I have devoted much of my time to convincing my European colleagues and overcoming the skeptical attitude of the American administration" on the need for monetary reforms, Mr. Delors said.

### OECD Eases Flow of Computer Data

Washington Post Service

PARIS — A freer international flow of computerized data is expected to result from a declaration adopted last week by the Organization for Economic Cooperation and Development at the urging of the United States.

U.S. officials said the declaration "is a first, and major, step" in assuring an open flow of information.

The basic thrust of the declaration is that the 24 OECD member governments agree to minimize any disruption of the international flow of computer data.

U.S. officials said technological

advances have made it possible to market almost any kind of service to foreign customers, including data processing, entertainment, advertising, banking, insurance and other activities. Retailers also use "transborder data" to verify credit card sales.

New communications and information technology are one element feeding the employment boom in service industries. According to the Office of the U.S. Trade Representative, the data-related job stimulus extends to manufacturing firms as well, blurring the usual lines of distinction between manufacturing and service employment.

Aides said Mr. Delors was also expected to press the community's position on several steel trade disputes with the United States. The EC has warned that U.S. efforts to restrict community steel exports could damage preparations for a new trade round.

Mr. Delors firmly rejected calls by U.S. officials for the EC to adopt the Reagan administration's free-market philosophy. But he believes the community can learn from some U.S. economic accomplishments, especially in the field of high technology and in the development of small and medium-sized businesses.

### Cool Reaction Greeted French Research Plan

The proposal by France last week for European cooperation in technological research has received a chilly response from the commission.

Commission officials said they had already submitted a plan to strengthen EC technological research to community leaders before their summit last month.

"The commission believes its proposals will allow Europe to realize its technological ambitions," a commission statement said. "Unfortunately, the European Council was not able to thoroughly examine the document."

Privately, Commission sources were sharply critical of the French initiative. "It's a typical gadget the French resort to when they want to show they have Europe under control," one source said. "What does it mean?"

### Some Films, TV Shows May Get Financial Aid

EC culture ministers are to consider next month a commission proposal that financial backing be given to European film and television productions. But the proposal is expected to face opposition from budget-conscious member states such as West Germany and Britain.

The idea is to help European producers compete with other national film and television industries, especially those of the United States. The commission believes that competition will intensify as more cable and satellite transmission networks begin operation.

Under the proposal, a project will receive aid only if it has at least three coproducers from different community countries. For films, the commission will give advances against receipts; for television, interest-free loans.

The commission proposal does not specify an amount of funding, but it suggests support for about 40 productions a year.

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### 1984 Balance Sheet Highlights (US\$ millions)\*

	1984	1983
Cash and balances with banks	126	163
Other Liquid Assets	966	960
Trading & Investment Securities	167	223
Deposits with Banks and other Institutions	1,632	2,774
Overdrafts, loans and bills discounted	3,096	2,809
Other Assets	185	173
Total Assets	6,172	7,102
Contra Accounts	1,154	1,144
<b>Total Balance Sheet</b>	<b>7,326</b>	<b>8,246</b>
Demand, Time deposits, and other accounts including contingencies	5,640	6,538
Other Liabilities	25	85
Total Shareholders' equity	507	479
Total Liabilities and Shareholders' equity	6,172	7,102
Contra Accounts	1,154	1,144
<b>Total Balance Sheet</b>	<b>7,326</b>	<b>8,246</b>

\*1984 KDI—US\$3,280 1983 KDI—US\$3,424

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## New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price and week	Terms
<b>FLOATING RATE NOTES</b>					
Banco Latinoamericano de Exportaciones	\$50	1990	1	100	Over 6-month Libor, Redeemable at par in 1988. Fees 11%.
Banque Exterieur d'Algérie	\$500	2000	1/2	100	Over 6-month Libor, Redeemable at par in 1992, 1995 and 1997. Fees 14%.
Belgium	\$300	2005	1/2	100	Over 1-month Libor, paid quarterly, or 3/16 over 3-month Libor if the yield curve moves. Callable at par in 1989 and redeemable at par in 2000 and 2003. Fees 0.40%.
Ferrovie dello Stato	\$420	1997	0.10	100	Over 1-month Libor, or 1/16 over 6-month Libor, whichever is lower. Callable at par in 1986. Fees 10%.
First Chicago	\$200	1992	0.10	100	Over 3-month Libor, Callable at par in 1987. Fees 10%.
Jyske Bank	\$40	1994	Libor	100	Interest pegged to 6-month offered rate for Eurodollars. Coupon to be set monthly except if 1-month Libor is equal to, or higher than, 6-month Libor. Callable at par in 1986. Fees 0.80%.
Saitama Int'l	\$100	1995	1/16	100	Below 6-month Libor, set monthly. Callable at par in 1986. Fees 0.45%.
<b>FIXED-COUPON</b>					
American Express Credit	\$100	1990	10%	99.73	Noncallable.
Council of Europe	\$75	1990	11	100%	Noncallable.
Denmark	\$100	1990	11%	100	Noncallable.
Denmark	\$100	1989	11%	100%	Noncallable.
General Electric Credit	\$200	2000	10%	100	Callable and redeemable at par in 1989 when new terms will be set.
IBJ	\$100	1995	11%	100%	Noncallable.
Motorola	\$100	1997	11%	99.73	Callable at 101 in 1995.
Pacific Bell	\$100	1992	11%	100	Callable at 101 in 1990.
Royal Bank of Canada	\$100	1990	11%	102.25	Noncallable. Each \$5,000 note with 1 warrant exercisable for 3 years at 101% into U.S. Treasury 11% bonds of 1990. Warrants valued at \$25 each, ended the week of \$20.
Sweden	\$200	1990	10%	100	Noncallable.
Texaco Capital	\$250	1995	11%	100	Callable at 101 in 1991.
Belgium	DM 100	1992	7%	100	Noncallable private placement.
Ireland	DM 150	1997	7%	100	Noncallable.
Mortgage Bank of Denmark	DM 150	1995	7%	100	Noncallable.
Industrial Development Corp. South Africa	DM 50	1992	8%	100	Noncallable private placement.
World Bank	DM 200	1992	7%	99.73	Noncallable private placement.
Eurofima	ECU 50	1993	9%	99.73	Callable at 101 in 1989.
Westdeutsche Landesbank Finance	ECU 70	1990	9%	99.73	Noncallable. Sinking fund to produce a 4.5-yr average life.
World Bank	ECU 60	1992	9%	100	Noncallable private placement.
Eurofima	DF 50	1992	7%	100	Noncallable private placement.
ECSC	FF 300	1992	11%	100	Noncallable.
<b>WARRANTS</b>					
Banque Paribas	0.075	1989	—	\$22	Each warrant is exercisable at 102 into a \$1,000 note of Chrysler Financial 13% of 1994.
<b>EQUITY-LINKED</b>					
John Finlan	\$ 3	2000	10	100	Each \$1,000 bond convertible into 850 company shares.
Lampro Finance	\$ 40	2000	open	100	Coupon indicated at 6%. Redeemable at 110 in 1989 and callable at 104 in 1987. Convertible at an expected 5% premium.
Nippon Oil	\$ 70	2000	3	100	Semiannually. Callable at 103 in 1990. Convertible at 923 yen per share and at 251.35 yen per dollar.
Nippon Steel Glass	\$ 40	1995	3	100	Semiannually. Callable at 102% in 1988. Convertible at 495 yen per share.
Yamamura Glass	\$ 25	1990	open	100	Coupon indicated at 84%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Terms to be set April 23.

## Fed Dampens Hopes for Lower Rates

By Michael Quint

NEW YORK — Hopes for lower interest rates were dampened but not eliminated Friday after the Federal Reserve temporarily sold securities, thereby draining funds from the banking system.

Short- and long-term rates fell modestly early in the day but began rising after the Fed's action, which came shortly before noon.

The 3-month Treasury bill rate was slightly higher, with the three-month issue bid at 7.80 percent, up from 7.72 percent. Note and bond yields showed little change.

Some analysts said the Fed's action was a signal to traders that the central bank was not easing policy, and was not trying to promote an overnight rate for bank loans of less than 8 percent. Others, however, said the Fed was easing policy and that the temporary sale of securities was merely a technical adjustment that would not prevent a general decline in interest rates.

In advance of Wednesday's auction of new two-year Treasury notes, government securities dealers offered the issue with a yield of about 9.79 percent, up from 9.76 percent a day earlier. The 11% percent Treasury bonds due in 2015 were offered at 100, down 2/32, to yield 11.25 percent.

Signs of economic weakness, such as the 1.3-percent growth in the gross national product after inflation, combined with a decline in the overnight rate for bank loans in the federal funds market, have led many market participants to conclude that the Federal Reserve is easing monetary policy and encouraging lower short-term interest rates.

While some analysts say the Fed will overtly signal its desire for lower rates by reducing the 8-percent discount rate it charges on loans to financial institutions, others say that the fund rate will soon rebound to around 8 1/2 percent.

Albert Wujnowski, chief economist at First Boston Corp., said in a speech to the annual meeting of the Federal Home Loan Bank of New York that the Fed would probably cut the discount rate soon. But he forecast that rates will rise again later in the year. While the Fed's generous monetary policy makes a recession unlikely, Mr. Wujnowski added that inflation would eventually accelerate.

If recent declines in short-term rates are maintained, bankers said, the prime lending rate might be cut from its current level of 10 1/2 percent. Some bankers said that weak business-loan demands might help justify a cut in the prime, and noted that Fed data for the week ended April 10 showed that business loans outstanding at large banks across the country fell by nearly \$1.8 billion.

## U.S. Consumer Rates For Week Ended April 19

Passbook Savings	5.50 %
Time Deposits	8.25 %
Money Market Funds	8.41 %
Bank Money Market Accounts	7.94 %
Bank Rate Monitor Index	13.70 %

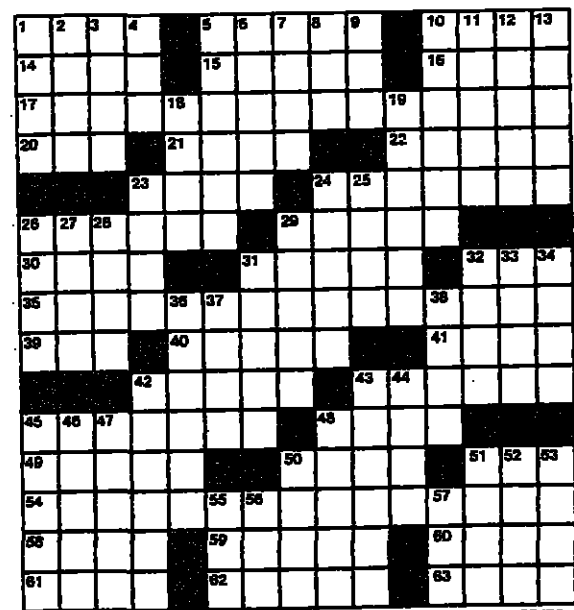
## DM Futures Options April 19

Strike	Call-Sell	Put-Sell
1.20	1.10	1.10
1.25	1.10	1.10
1.30	1.10	1.10
1.35	1.10	1.10
1.40	1.10	1.10
1.45	1.10	1.10
1.50	1.10	1.10
1.55	1.10	1.10
1.60	1.10	1.10
1.65	1.10	1.10
1.70	1.10	1.10
1.75	1.10	1.10
1.80	1.10	1.10
1.85	1.10	1.10
1.90	1.10	1.10
1.95	1.10	1.10
2.00	1.10	1.10
2.05	1.10	1.10
2.10	1.10	1.10
2.15	1.10	1.10
2.20	1.10	1.10
2.25	1.10	1.10
2.30	1.10	1.10
2.35	1.10	1.10
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9.75	1.10	1.10
9.80	1.10	1.10
9.85	1.10	1.10
9.90	1.10	1.10
9.95	1.10	1.10
10.00	1.10	1.10

## Cash Prices April 19

Commodity and Unit	Fr	Year
Coffee A Santos, lb	1.27	1.48
Coffee B Santos, lb	1.27	1.48
Coffee C Santos, lb	1.27	1.48
Coffee D Santos, lb	1.27	1.48
Coffee E Santos, lb	1.27	1.48
Coffee F Santos, lb	1.27	1.48
Coffee G Santos, lb	1.27	1.48
Coffee H Santos, lb	1.27	1.48
Coffee I Santos, lb	1.27	1.48
Coffee J Santos, lb	1.27	1.48
Coffee K Santos, lb	1.27	1.48
Coffee L Santos, lb	1.27	1.48
Coffee M Santos, lb	1.27	1.48
Coffee N Santos, lb	1.27	1.48
Coffee O Santos, lb	1.27	1.48
Coffee P Santos, lb	1.27	1.48
Coffee Q Santos, lb	1.27	1.48
Coffee R Santos, lb	1.27	1.48
Coffee S Santos, lb	1.27	1.48
Coffee T Santos, lb	1.27	1.48
Coffee U Santos, lb	1.27	1.48
Coffee V Santos, lb	1.27	1.48
Coffee W Santos, lb	1.27	1.48
Coffee X Santos, lb	1.27	1.48
Coffee Y Santos, lb	1.27	1.48
Coffee Z Santos, lb	1.27	1.48
Coffee AA Santos, lb	1.27	1.48
Coffee AB Santos, lb	1.27	1.48
Coffee AC Santos, lb	1.27	1.48
Coffee AD Santos, lb	1.27	1.48
Coffee AE Santos, lb	1.27	1.48
Coffee AF Santos, lb	1.27	1.48
Coffee AG Santos, lb	1.27	1.48
Coffee AH Santos, lb	1.27	1.48
Coffee AI Santos, lb	1.27	1.48
Coffee AJ Santos, lb	1.27	1.48
Coffee AK Santos, lb	1.27	1.48
Coffee AL Santos, lb	1.27	1.48
Coffee AM Santos, lb	1.27	1.48
Coffee AN Santos, lb	1.27	1.48
Coffee AO Santos, lb	1.27	1.48
Coffee AP Santos, lb	1.27	1.48
Coffee AQ Santos, lb	1.27	1.48
Coffee AR Santos, lb	1.27	1.48
Coffee AS Santos, lb	1.27	1.48
Coffee AT Santos, lb	1.27	1.48
Coffee AU Santos, lb	1.27	1.48
Coffee AV Santos, lb	1.27	1.48
Coffee AW Santos, lb	1.27	1.48
Coffee AX Santos, lb	1.27	1.48
Coffee AY Santos, lb	1.27	1.48
Coffee AZ Santos, lb	1.27	1.48
Coffee BA Santos, lb	1.27	1.48
Coffee BB Santos, lb	1.27	1.48
Coffee BC Santos, lb	1.27	1.48
Coffee BD Santos, lb	1.27	1.48
Coffee BE Santos, lb	1.27	1.48
Coffee BF Santos, lb	1.27	1.48
Coffee BG Santos, lb	1.27	1.48
Coffee BH Santos, lb	1.27	1.48
Coffee BI Santos, lb	1.27	1.48
Coffee BJ Santos, lb	1.27	1.48
Coffee BK Santos, lb	1.27	1.48
Coffee BL Santos, lb	1.27	1.48
Coffee BM Santos, lb	1.27	1.48
Coffee BN Santos, lb	1.27	1.48
Coffee BO Santos, lb	1.27	1.48
Coffee BP Santos, lb	1.27	1.48





**ACROSS**

1 Pack down lightly  
5 Sea mosses  
10 Tuck away  
14 African plant  
15 Posts  
16 Yearn  
17 — Park, Calif.  
20 Chopping tool  
21 Club  
22 Fixed in position  
23 Beethoven's birthplace  
24 Calabos  
26 Tasmania's capital  
28 Pleased expressions  
29 And others: Lat. abbr.  
31 Increase a poker bet  
32 Crooked  
33 Trees on which silkworms feed  
38 Trampoline  
40 Roman date  
41 Kind of chamber  
42 E.r.a., r.b.i., etc.  
43 Quits player  
45 Collect in condensed form  
48 Journey

**DOWN**

1 Scarlett's home  
2 Actor Karras  
3 Style  
4 Church seat  
5 Quantity  
6 Ga. neighbor  
7 Superlative  
8 Victor's loot  
11 Trace of color  
12 Walk — (be elated)  
13 Joins inseparably  
18 Fragrance  
19 Tuesday worker, in a refrain  
23 Latvian, e.g.  
24 Babies' beds  
25 French river  
26 Cut down  
27 Will — wisp  
28 Night crawlers  
29 Big blows  
30 Litter peewees  
31 Triumphs  
32 Neural network  
34 North Sea feeder  
36 Lure into danger  
37 Home of Lot's descendants  
38 Harsh sound  
42 The channel near the Isle of Wight  
43 Vacuum tube  
44 Unctuous  
45 Prior's superior  
46 Search carefully  
47 Turns sideways  
48 Kind of pole  
49 Snick and  
51 Part of a strawberry  
52 Flying prefix  
53 Author Zane  
54 C.I.A. predecessor  
56 Resident of: Suffix  
57 Bath is one

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## PEANUTS



## BLONDIE



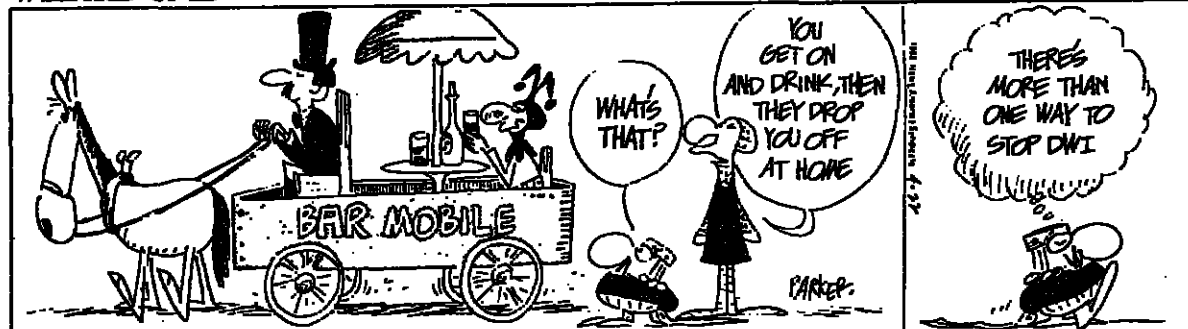
## BEETLE BAILEY



## ANDY CAPP



## WIZARD OF ID



## REX MORGAN



## GARFIELD



## SPORTS BRIEFS

## Chavez and Meza Retain WBC Crowns

INGLEWOOD, California (UPI) — Undeclared Julio Cesar Chavez knocked out Ruben Castillo in the sixth round Friday night to retain his World Boxing Council super featherweight title. On the same card at the Forum, Juan Meza won by a technical knockout over Mike Ayala in the sixth round of their bout to retain his WBC super bantamweight championship.

Chavez, who controlled every round, opened a cut over Castillo's left eye with a left jab in the fourth. In the sixth, Chavez landed two painful body punches, then unleashed a five-punch flurry to the head that knocked down Castillo. Referee Carlos Padilla counted out Castillo at 2:53 of the round. Chavez, of Mexico, is 44-0 with 40 knockouts. Castillo, of the United States, is 64-5-2.

Meza, from Mexico, is 43-6 with 34 knockouts while Ayala, of the United States, is 37-3. It was Meza's first defense of the title he won in November with a first-round knockout of previously unbeaten Jaime Garza.

## Langer Leads After 3 Rounds in U.S. Golf

HILTON HEAD ISLAND, South Carolina (UPI) — The new Masters champion, Bernhard Langer, got five birdies on his last nine holes Saturday for 2-under-par 69 and a one-stroke lead after three rounds of the Sea Pines Heritage Golf Classic.

Langer, who trailed Bobby Watkins and Paul Azinger by one stroke after Friday's round, was at 203 after three rounds. That put him one stroke ahead of Danny Edwards, who shot 68 Saturday. At 205 were Watkins, after a 72, and Larry Mize, who shot 67. Larry Nelson, with a 70, was at 206, and Azinger was at 207.

## Wales Defeats England in Rugby Finale

CARDIFF (UPI) — Wales claimed third place in the Five Nations Rugby Union Championship on Saturday by defeating England, 24-15, in a match delayed two months because of the harsh winter weather.

Ireland won the title last month with seven points to France's six. Wales finished third on four points, England fourth with three and Scotland last with zero.

## Eternal Prince Wins Wood Memorial Race

NEW YORK (NYT) — Eternal Prince, who won the Gotham Stakes two weeks ago, set a slow pace Saturday that carried him to an easy 24-length victory over Proud Truth and Rhoman Rule in the Wood Memorial at Aqueduct.

The triumph probably will make the 3-year-old colt one of the favorites for the Kentucky Derby, but the style of his victory was unimpressive. Eternal Prince finished the 1 1/4-mile course in 1:48.4/5.

Proud Truth, the 8-to-5 favorite, was ranked early, then fell back, but closed well to be second. Rhoman Rule, the third choice, tired in the stretch.

## For the Record

Olympic gold medalist Carlos Lopes ran the world's fastest marathon Saturday, winning the Rotterdam race in 2 hours, 7 minutes, 11 seconds. That surpassed the 2:08:05 run by Steve Jones in the Chicago Marathon last October.

Sweden held a 2-1 lead over Chile in the opening round of Davis Cup play in Santiago. The Swedish doubles team won, 6-1, 6-3, 6-3, Saturday.

One day after ending its basketball program because of the point-shaving scandal, Tulane University promoted its football coach, Mack Brown, to athletic director. Brown, 33, replaces Hindman Wall, who resigned last week.

## BOOKS

## A. G. SPALDING AND THE RISE OF BASEBALL

By Peter Levine. 184 pp. \$16.95  
Oxford University Press,  
200 Madison Avenue,  
New York, N. Y. 10016.

## BEYOND THE SIXTH GAME

By Peter Gammons. 380 pp. \$15.95.  
Houghton Mifflin, 2 Park Street,  
Boston, Mass. 02108.

## NINE INNINGS

By Daniel Okrent. 272 pp. \$16.95.  
Ticknor & Fields, 52 Vanderbilt Avenue,  
New York, N. Y. 10017.

## Reviewed by Jonathan Yardley

HERE'S a lot more to baseball than the game that's played between the lines, as anyone who pays passing attention to the sports pages knows. Labor disputes, stadium leases, broadcast deals, multimillion-dollar contracts — at times the game seems a mere sideshow to the wheeling and dealing off the field, ever more so as the stakes get steadily larger.

This off-the-diamond business is in varying degrees the subject of three new books, the first of which tells us that there is indeed nothing new under the sun. In "A. G. Spalding and the Rise of Baseball," Peter Levine has written a brief biography of the 19th-century ballplayer-turned-tycoon whose life's work "reaffirmed his continual desire to have monopolistic control of professional baseball rest in the hands of competent businessmen with full power and authority to regulate its every aspect, including the potential competition of other capitalists and the careers of its players."

Spalding's baseball career lasted from the end of the Civil War until the turn of the century, and its repercussions still are felt. He was a canny, ambitious entrepreneur who guided the Chicago White Stockings to impressive successes, helped found and strengthen the National League, and built a hugely successful sporting-goods firm. He believed that sport "built character, encouraged order and disci-

pline, and produced the type of citizen necessary for continued American greatness," and thus had a more durable influence on American attitudes than he is generally given credit for, Levine argues.

But the structure of the game he helped create has changed traumatically over the past decade, primarily because of what Peter Gammons in "Beyond the Sixth Game" calls "the new era" that began with the coming of free agency a decade ago. This happened not long after the 1975 World Series between the Boston Red Sox and the Cincinnati Reds, featuring the memorable sixth game. Gammons' book, the dust jacket claims, is about "what's happened to baseball since the greatest game in World Series history." The claim, unfortunately, would not pass a truth-in-advertising test. Gammons is a terrific reporter, but there's almost no original reporting here: what we get rather than a genuine inquiry into baseball's altered state is a game-by-game recitation of Boston's past nine seasons, spiced up with brief profiles of various actors in the never-ending Red Sox more pleasure and enlightenment are to be found in Daniel Okrent's "Nine Innings." Okrent had the imaginative notion to focus on a single major-league game as a springboard from which to show how baseball works. The game was played between the Milwaukee Brewers and Baltimore Orioles in June 1982, a year in which the Brewers won their division in a dramatic final-game showdown against the Orioles. Thus it could be said that the June game provided the final margin of victory for the Brewers, since they won it; but winning and losing are of less moment to Okrent than what goes on behind the scenes — the actual game, in fact, tends to get lost in the shuffle, which is the only flaw in an otherwise engaging book.

As the game works its leisurely way to the final out — the score ended up 9-7, and the playing time was more than three hours — Okrent makes leisurely inquiries into the various institutions, individuals and traditions that collaborated to make it possible. He describes the rise of free agency and the new free market under which players can move about pretty much as they wish; the labyrinthine efforts through which a major-league team was lured to the relatively small city of Milwaukee; the prevalence of "unbusinesslike practices" in many baseball offices; the relationship (or lack of same) between owners and their customers, the fans; the increasing importance of broadcast revenues; the hectic atmosphere at baseball's winter meetings, where trading is often the principal order of business.

But there's plenty of real baseball in "Nine Innings" as well. Okrent writes amusingly and perceptively about many players on both teams, about coaches and managers, about the uneasy, ambiguous relationship between ballplayers and those perpetual outsiders, the gentlemen in the press box. He appears to like the players, but he doesn't go easy on them, especially in his depiction of the "self-possession" and arrogance of the clubhouse. From first inning to ninth he has a lot to tell us about how baseball really works, and passionate fans are likely to regard "Nine Innings" as a genuine treat.

Jonathan Yardley is on the staff of The Washington Post.

## BRIDGE

By Alan Truscott

ON the diagramed deal, it can be seen that six spades is an excellent contract, and it was reached at one table by North-South.

South is a notable theorist, and one of his ideas came into play here. After a negative two diamond response to a strong artificial two-club bid, a jump to the three-level has no useful meaning.

South's plan is to use these jumps to show some awkward distribution: a four-card major with a five-card diamond suit. South was able to show his distribution accurately, and when North invited by jumping to five spades, he naturally accepted.

Against a small slam contract in a suit, an attacking lead away from a king is often the best chance for the defense.

West led a club against six spades, which was the only way to give the defense a chance.

South gave West credit for a good lead, and put up the queen from dummy. If he had played low, the jack would have driven out the ace and the contract would have failed, barring inspired play in the trump suit.

After the winning club guess, the A-K of trumps were cashed. The queen did not fall, but the contract was safe. There was no longer an need to take the heart finesse, for the diamond suit furnished a discard.

NORTH (D)			
♠	AKQJ7		
♥	QJ2		
♦	Q73		
♣	Q54		
WEST			
♠	AK		
♥	Q874		
♦	Q42		
♣	K9763		
EAST			
♠	Q64		
♥	Q8865		
♦	Q82		
♣	J82		
SOUTH			
♠	AKJ2		
♥	AKQ		
♦	AKJ88		
♣	A10		

North and South were vulnerable.

The bidding:

North	East	South	West
Pass	Pass	2♣	Pass
2♦	Pass	3♠	Pass
Pass	Pass	Pass	Pass

West led the club three.

## Mets Add to Phillies' Miseries

United Press International

PHILADELPHIA — Keith Hernandez blooped a broken-bat single with two out in the ninth inning Friday night to score Wally Backman and give Dwight Gooden and the New York Mets a 1-0 vic-

## FRIDAY BASEBALL

tory over the Philadelphia Phillies.

Backman, batting for Gooden, led off with a single off Charles Hudson (0-1) and was sacrificed to second by Mookie Wilson. Don Carman replaced Hudson and got pinch-hitter Rusty Staub on a ground out, with Backman moving to third. Hernandez then hit a 1-2 pitch on the fists, but got it over the infield to hand Philadelphia its fifth straight loss.

Gooden (2-0), who pitched a four-hit shutout in his last start, threw eight scoreless innings, allowing three hits and striking out seven. Jesse Orosco pitched the ninth for his first save.

Phillies starter Steve Carlton, who had a 4.09 earned-run average in his first two outings, retired the first 12 Mets and allowed only two hits over seven innings, walking one and striking out two.

Expos 5, Cubs 3  
In Montreal, pinch-hitter Jim Wohlford hit a three-run homer in the sixth and the Expos won their home opener, 5-3, by ending Chicago's five-game winning streak and a 16-game string by Rick Sutcliffe (2-1).

Reds 4, Giants 2  
In Cincinnati, Eric Davis ended a 2-2 tie with an RBI single in the fourth inning and San Francisco reliever Mark Davis, batted in a run in the sixth as the Reds won, 4-2.

Braves 9, Astros 5  
In Atlanta, Dale Murphy drove in four runs, three on his sixth



Dwight Gooden

home runs this season and Darryl Motley. Steve Balboni and Jim Sundberg each hit one — the first homers off Tiger pitching this season — as Kansas City won, 9-2. Almost two years earlier, on April 20, 1980, Brett hit three home runs and a single for seven RBIs in Tiger Stadium.

White Sox 6, Red Sox 1  
In Chicago, Carlton Fisk and Luis Salazar each hit two-run homers and Rudy Law and Harold Baines added solo shots to help win their Comiskey Park opener, an 8-1 triumph over Boston.

Rangers 4, Brewers 1  
In Milwaukee, Toby Harrah hit a tie-breaking single during a three-run eighth and Dave Rozema (1-2) and Dave Stewart pitched a five-hitter as Texas won, 4-1. The Brewers' Ray Seane (0-1) had a club-record 30 consecutive scoreless innings ended.

Blue Jays 6, Orioles 5  
In Toronto, Jesse Barfield capped a four-run sixth with a three-run homer as the Blue Jays rallied to defeat Baltimore, 6-5. Barfield's third three-run homer this season overshadowed Orioles rookie Fritz Connally's grand slam, his first major-league homer.

Indians 2, Yankees 1  
In New York, Julio Franco hit a two-run homer in the first off Ron Guidry (1-1) as Cleveland edged the Yankees, 2-1.

A's 4, Twins 2  
In Oakland, California, Mike Heath hit a three-run homer and Dwayne Murphy one with the bases empty to help the A's defeat Minnesota, 4-2.

Angels 9, Mariners 1  
In Anaheim, California, Rod Carew produced two RBI singles and Ron Romanick (2-0) spaced 10 hits as the Angels beat Seattle, 9-1.

Royals 9, Tigers 2  
In the American League, in Detroit, George Brett hit his first two

## WEATHER

EUROPE				ASIA			
Algeria	12	14	15	Bangkok	24	26	27
Amsterdam	12	14	15	Hong Kong	24	26	27
Antwerp	12	14	15	London	24	26	27
Berlin	12	14	15	Manila	24	26	27
Birmingham	12	14	15	New Delhi	24	26	27
Bombay	12	14	15	Shanghai	24	26	27
Brussels	12	14	15	Singapore	24	26	27
Buenos Aires	12	14	15	Tokyo	24	26	27
Budapest	12	14	15				
Cairo	12	14	15				
Calcutta	12	14	15				
Cardiff	12	14	15				
Chennai	12	14	15				
Copenhagen	12	14	15				
Dakar	12	14	15				
Dallas	12	14	15				
Dublin	12	14	15				
Edinburgh	12	14	15				
Florence	12	14	15				
Frankfurt	12	14	15				
Geneva	12	14	15				
Helsinki	12	14	15				
Honolulu	12	14	15				
Los Angeles	12	14	15				
London	12	14	15				
Lyons	12	14	15				
Miami	12	14	15				
Madrid	12	14	15				
Moscow	12	14	15				
Munich	12	14	15				
Nairobi	12	14	15				
Paris	12	14	15				
Perth	12	14	15				
Phoenix	12	14	15				
Rio de Janeiro	12	14	15				
Rome	12	14	15				
Sao Paulo	12	14	15				
Seattle	12	14	15				
Stockholm	12	14	15				
Switzerland	12	14	15				
Taipei	12	14	15				
Tientsin	12	14	15				
Winnipeg	12	14	15				
Zurich	12	14	15				

**MIDDLE EAST**

Amman	12	14	15
Bahrain	12	14	15
Bombay	12	14	15
Brussels	12	14	15
Calcutta	12	14	15
Cardiff	12	14	15
Chennai	12	14	15
Copenhagen	12	14	15
Dakar	12	14	15
Dallas	12	14	15
Dublin	12	14	15
Edinburgh	12	14	15
Florence	12	14	15
Frankfurt	12	14	15
Geneva	12	14	15
Helsinki	12	14	15
Honolulu	12	14	15
Los Angeles	12	14	15
London	12	14	15
Lyons	12	14	15
Miami	12	14	15
Madrid	12	14	15
Moscow	12	14	15
Munich	12	14	15
Nairobi	12	14	15
Paris	12	14	15
Perth	12	14	15
Phoenix	12	14	15
Rio de Janeiro	12	14	15
Rome	12	14	15
Sao Paulo	12	14	15
Seattle	12	14	15
Stockholm	12	14	15
Switzerland	12	14	15
Taipei	12	14	15
Tientsin	12	14	15
Winnipeg	12	14	15
Zurich	12	14	15

**OCEANIA**

Auckland	12	14	15
Brisbane	12	14	15
Canberra	12	14	15
Dunedin	12	14	15
Hobart	12	14	15
London	12	14	15
Lyons	12	14	15
Miami	12	14	15
Madrid	12	14	15
Moscow	12	14	15
Munich	12	14	15
Nairobi	12	14	15
Paris	12	14	15
Perth	12	14	15
Phoenix	12	14	15
Rio de Janeiro	12	14	15
Rome	12	14	15
Sao Paulo	12	14	15
Seattle	12	14	15
Stockholm	12	14	15
Switzerland	12	14	15
Taipei	12	14	15
Tientsin	12	14	15
Winnipeg	12	14	15
Zurich	12	14	15

MONDAY'S FORECAST — CHANNING: Rain, 12-15. Overcast, 16-18. Wind: 12-15. High: 12-15. Low: 12-15. Clouds: 12-15. Precip: 12-15. Visibility: 12-15. Barometer: 12-15. Humidity: 12-15. Wind speed: 12







